

PRINCE ALBERT

MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2018

PRINCE ALBERT LOCAL MUNICIPALITY

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PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

PRINCE ALBERT Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The PRINCE ALBERT Municipality includes the following areas:

Prince Albert
Klaarstroom
Leeu Gamka

EXECUTIVE MAYOR

G. Lottering

DEPUTY EXECUTIVE MAYOR

L. Jaquet

SPEAKER

S. Botes

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor
Deputy Executive Mayor
Speaker

G. Lottering
L. Jaquet
S. Botes

MUNICIPAL MANAGER

Mr. H Mettler

CHIEF FINANCIAL OFFICER

Mr. J Neethling

REGISTERED OFFICE

23 Church Street
Prince Albert
6730

Private Bag X53
PRINCE ALBERT
6730

AUDITORS

Office of the Auditor General (WC)

PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

PRINCIPLE BANKERS

ABSA Bank, Prince Albert

ATTORNEYS

Riaan Coetzee

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

WARD

Ward
Ward
Ward
Ward
Proportional
Proportional
Proportional

COUNCILLOR

G. Lottering
M.D. Jaftha
E. Maans
L. Jaquet
S. Piedt
S. Botes
R.M. Steyn

PRINCE ALBERT LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 98 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and In-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



Accounting Officer

28/11/2018

Date

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 Final R	2017 Restated R
ASSETS			
Non-Current Assets		141 357 258	135 936 361
Property, Plant and Equipment	2	127 604 707	122 088 919
Investment Property	3	13 632 149	13 728 153
Intangible Assets	4	120 402	119 289
Current Assets		34 914 925	34 961 183
Inventory	6	715 375	574 437
Receivables from Exchange Transactions	7	1 746 513	1 781 898
Receivables from Non-exchange Transactions	8	1 435 797	1 214 420
Unpaid Transfers and Subsidies	16	1 895 217	-
Operating Lease Asset	5	41 199	5 493
Value Added Tax	17	3 666 732	3 126 245
Cash and Cash Equivalents	9	25 414 091	28 258 691
Total Assets		176 272 182	170 897 544
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		25 341 350	24 502 607
Long-term Borrowings	10	4 750	65 905
Non-current Provisions	11	19 032 273	18 998 008
Non-current Employee Benefits	12	6 304 327	5 438 694
Current Liabilities		7 925 632	12 906 322
Consumer Deposits	13	447 761	432 955
Current Employee Benefits	14	2 144 228	1 746 871
Trade and Other Payables from Exchange Transactions	15	2 954 015	8 027 860
Unspent Transfers and Subsidies	16	2 318 472	1 782 160
Cash and Cash Equivalents	9	-	847 182
Current Portion of Long-term Borrowings	10	61 155	69 296
Total Liabilities		33 266 982	37 408 929
Net Assets		143 005 201	133 488 615
Capital Replacement Reserve	19	13 160 543	1 211 687
Accumulated Surplus		129 844 658	132 276 928
Total Net Assets and Liabilities		176 272 182	170 897 544

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 Previous	Reclassification to mSCOA	2017 Reclassified	Correction of Error	2017 Restated
REVENUE							
Revenue from Non-exchange Transactions		50 820 806	55 862 199	1 713 237	57 575 435	120 000	57 455 435
Taxation Revenue		3 298 241	2 873 491	-	2 873 491	-	2 873 491
Property Rates	20	3 165 948	2 873 491	-	2 873 491	-	2 873 491
Surcharges and Taxes		133 293	-	-	-	-	-
Transfer Revenue		40 745 637	40 986 922	1 707 127	42 704 049	120 000	42 584 049
Government Grants and Subsidies - Operating	21	23 890 867	21 712 764	1 833 999	23 546 763	120 000	23 426 763
Government Grants and Subsidies - Capital	21	10 725 785	14 816 418	(128 872)	14 689 546	-	14 689 546
Public Contributions and Donations	22	5 000	-	-	-	-	-
Service in kind	55	3 585 511	3 067 740	-	3 067 740	-	3 067 740
Contributed Property, Plant and Equipment	22	2 538 473	1 400 000	-	1 400 000	-	1 400 000
Other Revenue		6 775 829	11 991 786	6 110	11 997 896	-	11 997 896
Actuarial Gains	12	263 831	73 186	-	73 186	-	73 186
Fines, Penalties and Forfeits	23	6 512 098	11 918 600	6 110	11 924 710	-	11 924 710
Revenue from Exchange Transactions		25 674 860	26 478 330	(1 761 487)	24 717 843	5 228	24 712 615
Services Charges	25	21 203 159	20 931 398	10 461	20 941 859	21 412	20 920 447
Rendering of Services	26	266 166	-	244 613	244 613	-	244 613
Rental from Fixed Assets	27	486 880	387 545	(140)	387 405	(10 738)	398 144
Interest Earned - External Investments	28	2 588 273	2 282 808	-	2 282 808	-	2 282 808
Interest Earned - Exchange Transactions	29	573 253	510 251	-	510 251	-	510 251
Licences and Permits	24	261 866	262 668	-	262 668	-	262 668
Other Income from Exchange Transactions		-	2 104 661	(2 104 661)	-	-	-
Operational Revenue	30	285 353	-	88 240	88 240	(5 445)	93 686
Total Revenue		76 485 666	82 341 529	(48 250)	82 293 278	125 228	82 168 050

	Notes	2018 R	2017 Previous	Reclassification to mSCOA	2017 Reclassified	Correction of Error	2017 Restated
EXPENDITURE							
Employee related costs	31	20 337 691	14 116 043	1 456 604	15 572 647	-	15 572 647
Remuneration of Councillors	32	2 928 175	2 626 667	-	2 626 667	-	2 626 667
Contracted Services	34	7 150 151	5 828 470	1 705 289	7 533 759	74 530	7 608 289
Depreciation and Amortisation	35	5 463 061	5 591 287	-	5 591 297	(209 662)	5 381 635
Repairs and Maintenance		-	1 217 131	(1 217 131)	-	-	-
Actuarial Losses	12	55 252	261 030	-	261 030	-	261 030
Finance Costs	36	1 158 097	1 751 406	(457 331)	1 294 075	-	1 294 075
Bulk Purchases	37	9 522 206	7 921 716	1 808 018	9 729 734	-	9 729 734
Inventory Consumed	38	1 178 371	-	1 041 682	1 041 682	(3 771)	1 037 911
Transfers and Subsidies	39	380 000	-	115 000	115 000	-	115 000
General expenditure		-	12 827 564	(12 827 564)	-	-	-
Operational Costs	40	8 666 143	-	8 375 433	8 375 432	(11 469)	8 363 963
Total Expenditure		56 839 146	52 141 324	-	52 141 324	(150 372)	51 990 952
Operating Surplus for the Year		19 656 518	30 200 295	(48 250)	30 161 954	(25 144)	30 177 096
Contribution to Impairment Loss on Receivables	33	(8 657 614)	(11 581 655)	-	(11 581 655)	-	(11 581 655)
Loss on Disposal of Fixed Assets	42	(703 583)	(47 846)	4	(47 842)	-	(47 842)
Impairment Loss on Fixed Assets	43	(1 227 592)	-	48 246	48 246	-	48 246
NET SURPLUS FOR THE YEAR		9 067 729	18 570 603	-	18 570 603	(25 144)	18 595 747

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R
Balance at 1 July 2016	1 469 160	110 354 698	111 823 858
Restated balance	1 469 160	110 354 698	111 823 858
Net Surplus for the year	-	21 664 755	21 664 755
Net Surplus previously reported	-	18 595 747	18 595 747
Effects of Correction of Errors - note 45	-	3 069 008	3 069 008
Transfer to/from CRR	(257 473)	257 473	-
Balance at 30 June 2017	1 211 687	132 276 926	133 488 613
Restated balance	1 211 687	132 276 926	133 488 613
Net Surplus for the year	-	9 067 729	9 067 729
Transfer to/from CRR	11 500 000	(11 500 000)	-
Asset Disposals	448 856	-	448 856
Balance at 30 June 2018	13 160 543	129 844 655	143 005 198

PRINCE ALBERT LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and Other	46	25 692 764	18 111 823
Government - Operating		23 750 907	23 426 763
Government - Capital		10 809 000	14 689 546
Interest	28 & 29	3 161 526	2 793 059
Cash payments			
Suppliers and Employees	46	(53 205 714)	(41 233 007)
Finance Charges	36	(1 158 097)	(1 294 075)
Transfers and subsidies	39	(380 000)	(115 000)
Net Cash from Operating Activities	46	8 470 386	16 379 109
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	2	(10 841 393)	(15 772 549)
Proceeds on Disposal of Fixed Assets	2	448 856	-
Purchase of Intangible Assets	4	(20 777)	(22 753)
Net Cash from Investing Activities		(10 413 314)	(15 795 302)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans Repaid	10	(69 296)	(70 159)
New Loans Raised	10	-	131 577
Increase in Consumer Deposits	13	14 806	18 051
Net Cash from Financing Activities		(54 489)	79 489
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 997 418)	663 276
Cash and Cash Equivalents at the beginning of the year		27 411 509	26 748 233
Cash and Cash Equivalents at the end of the year	58	25 414 091	27 411 509
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 997 418)	663 276

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Original Budget	Budget Adjustments (I.L.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome	Difference	Actual Outcome as % of Final Budget	
	R	R	R	R	2018 R		%	
ASSETS								
Current Assets								
Cash	4 042 000	(2 642 000)	1 400 000	1 400 000	339 541	(1 060 459)	-76%	Increase in debt impairment led to an decrease in cash.
Call Investment Deposits	15 000 000	14 000 000	29 000 000	29 000 000	25 074 550	(3 925 450)	-14%	Increase in debt impairment led to an decrease in cash.
Consumer Debtors	4 358 236	(1 020 236)	3 328 000	3 328 000	1 746 513	(1 582 487)	-48%	Increase in debt impairment led to an decrease in debtors outstanding at year end.
Other Debtors		3 200 000	3 200 000	3 200 000	5 143 728	1 943 728	61%	Increase in taxes owed to the municipality from the receiver of revenue.
Unpaid Transfers and Subsidies		-			1 885 217	1 885 217	0%	Oversepart on INEP grant as approved by Dpt of Energy for due to a timing difference.
Inventory		575 000	575 000	575 000	715 375	140 375	24%	Increase in Inventory due to projects not completed at year end and was not WIP therefore taken to Inventory.
Total Current Assets	23 400 236	14 103 764	37 504 000	37 504 000	34 914 925	(2 589 075)	-7%	
Non-Current Assets								
Investment Property	13 288 164	-	13 288 164	13 288 164	13 632 149	343 985	3%	Not material.
Property, Plant and Equipment	108 402 028	8 854 500	117 256 529	117 256 529	127 604 707	10 348 178	9%	Not material.
Intangible Assets	111 318	7 982	119 300	119 300	120 402	1 102	1%	Not material.
Total Non-Current Assets	121 801 511	8 862 482	130 663 993	130 663 993	141 357 258	10 693 265	8%	
TOTAL ASSETS	145 201 747	22 966 246	168 167 993	168 167 993	176 272 183	8 104 190	5%	
LIABILITIES								
Current Liabilities								
Borrowing	37 531	31 765	69 296	69 296	61 155	(8 141)	-12%	Not material.
Consumer Deposits	414 908	18 048	432 956	432 956	447 761	14 808	3%	Not material.
Trade and Other Payables	7 651 003	-	7 651 003	7 651 003	5 272 488	(2 378 515)	-31%	A general decrease in creditors at year end due to better financial management.
Provisions	300 522	-	300 522	300 522	2 144 228	1 843 706	614%	Not budgeted for correctly.
Total Current Liabilities	8 403 962	49 814	8 453 776	8 453 776	7 925 632	(528 144)	-6%	
Non-Current Liabilities								
Borrowing	36 251	(12 000)	24 251	24 251	4 750	(19 501)	-90%	Not material.
Provisions	25 622 412	(1 011 404)	24 611 008	24 611 008	25 336 600	725 592	3%	Actuarial reports showed an increase that was not budgeted for correctly.
Total Non-Current Liabilities	25 658 663	(1 023 404)	24 635 259	24 635 259	25 341 350	706 091	3%	
TOTAL LIABILITIES	34 062 625	(973 590)	33 089 035	33 089 035	33 266 982	177 947	1%	
NET ASSETS								
Accumulated Surplus	110 838 122	22 528 149	133 367 271	133 367 271	129 844 658	(3 522 613)	-3%	
Reserves	300 000	1 411 687	1 711 687	1 711 687	13 160 543	11 448 856	669%	
TOTAL NET ASSETS	111 138 122	23 939 836	135 078 958	135 078 958	143 005 201	7 926 243	6%	

Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome	Difference	Actual Outcome as % of Final Budget	
	R	R	R	R	2018 R	R	%	
REVENUE								
Property Rates	3 050 000	-	3 050 000	3 050 000	3 165 948	105 948		
Service Charges - Electricity Revenue	13 565 000	(360 000)	13 165 000	13 165 000	13 441 081	256 081		3% Not material.
Service Charges - Water Revenue	3 825 500	(670 500)	3 155 000	3 155 000	3 318 827	163 827		2% Not material.
Service Charges - Sanitation Revenue	2 636 700	(42 700)	2 594 000	2 594 000	2 905 830	311 830		5% Not material.
Service Charges - Refuse Revenue	1 479 400	(49 400)	1 430 000	1 430 000	1 637 441	104 441		12% Increase due to more auctions.
Rental of Facilities and Equipment	437 500	24 000	461 500	461 500	486 680	25 180		7% Not material.
Interest Earned - External Investments	1 080 000	1 320 000	2 380 000	2 380 000	2 588 273	208 273		5% Not material.
Interest Earned - Outstanding Debtors	780 000	(250 000)	530 000	530 000	573 253	43 253		9% Not material.
Service in kind	-	-	-	-	3 585 511	3 585 511		8% Not material.
Contributed Property, Plant and Equipment	-	-	-	-	2 538 473	2 538 473		100% Budgeted for under other revenue.
Fines	4 012 500	(300 000)	3 712 500	3 712 500	6 512 088	2 789 588		100% Not budgeted for
Licences and Permits	180 000	28 000	208 000	208 000	281 966	53 966		75% Not budgeted for correctly. Fines increased better than expected.
Transfers Recognised - Operational	38 050 450	(952 000)	35 098 450	35 098 450	23 885 867	(11 202 583)		28% Not material.
Other Revenue	1 568 000	3 612 700	5 177 700	5 177 700	825 350	(4 352 350)		-32% Not budgeted for correctly.
Total Revenue (excluding capital transfers and contributions)	68 652 050	2 349 100	70 995 150	70 995 150	65 789 881	(5 225 269)	-7%	Reclassifications due to mSCOA lead to amounts being classified separately from other revenue to service in kind.
EXPENDITURE								
Employee Related Costs	18 659 880	(719 000)	17 890 880	17 890 880	20 337 691	2 446 801		14% Reclassification of PMU staff salaries.
Remuneration of Councillors	2 815 000	-	2 815 000	2 815 000	2 928 175	13 175		0% Not material.
Debt Impairment	5 448 000	-	5 448 000	5 448 000	8 657 814	3 209 814		59% Increase in provision for bad debts due to debtors not paying.
Depreciation and Asset Impairment	2 813 000	-	2 813 000	2 813 000	5 483 061	2 670 061		94% Increase from Landfill site depreciation.
Actuarial Losses	-	-	-	-	65 252	65 252		100% Not material.
Finance Charges	85 000	(30 000)	55 000	55 000	1 158 097	1 103 097		2006% Increase from Landfill site finance charges.
Bulk Purchases	8 474 000	(574 000)	7 900 000	7 900 000	9 522 208	1 622 208		21% Increase of 430 houses newly erected that lead to an increase in bulk purchases.
Other Materials	2 033 500	(27 500)	2 006 000	2 006 000	1 178 371	(827 629)		-41% Reclassification due to mSCOA.
Contracted Services	18 258 420	(10 515 500)	7 742 920	7 742 920	7 150 151	(592 769)		-8% Reclassification due to mSCOA.
Transfers and Grants	-	-	-	-	380 000	380 000		100% Reclassification due to mSCOA.
Other Expenditure	9 714 470	14 710 970	24 425 440	24 425 440	8 666 143	(15 759 297)		-65% Reclassification due to mSCOA.
Loss on Disposal of PPE	-	-	-	-	1 931 175	1 931 175		100% Not budgeted for.
Total Expenditure	68 352 280	2 844 970	71 197 250	71 197 250	67 427 937	(3 769 313)	-5%	
Surplus	299 770	(501 870)	(202 100)	(202 100)	(1 858 056)	(1 455 956)	720%	
Transfers Recognised - Capital	-	8 228 488	8 228 488	8 228 488	10 725 785	2 497 297	30%	
Surplus after Capital Transfers & Contributions	299 770	7 726 616	8 026 386	8 026 386	8 067 729	1 041 343	13%	

Explanations for material variances more than 10% of a specific line item with a minimum of 300,000.00

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Original Budget	Final Adjustment Budget		Final Budget	Actual Outcome		Difference	Actual Outcome as % of Final Budget	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
		R	R		2018	R			
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other Government - Operating	31 186 000	2 225 100		33 391 100	25 692 764		(7 698 336)	-23%	Cashflow not budgeted for correctly due to mSCOA amendments.
Government - Capital	35 646 000	(952 000)		34 694 000	23 750 907		(10 943 093)	-32%	Cashflow not budgeted for correctly due to mSCOA amendments.
Interest	-			-	10 609 000		10 609 000	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Payments	1 840 000	1 070 000		2 910 000	3 161 528		251 528	9%	Cashflow not budgeted for correctly due to mSCOA amendments.
Suppliers and Employees Finance costs	(65 616 890)	(2 874 970)		(68 491 860)	(53 205 714)		15 286 146	-22%	Cashflow not budgeted for correctly due to mSCOA amendments.
Transfers and Grants	(85 000)	30 000		(55 000)	(1 158 087)		(1 103 087)	2006%	Cashflow not budgeted for correctly due to mSCOA amendments.
Net Cash from/(used) Operating Activities	(2 850 000)	2 650 000		-	(380 000)		(380 000)	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Purchase of Property, Plant and Equipment					(10 841 393)		(10 841 393)	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Proceeds on Disposal of Fixed Assets					448 856		448 856	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Purchase of Intangible Assets					(20 777)		(20 777)	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Net Cash from/(used) Investing Activities					(10 413 314)		(10 413 314)	100%	
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Short Term Loans					(69 296)		(69 296)	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
New Loans Raised					-		-	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Increase in Consumer Deposits					14 806		14 806	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Payments					-		-	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Repayment of Borrowing					-		-	100%	Cashflow not budgeted for correctly due to mSCOA amendments.
Net Cash from/(used) Financing Activities					(54 489)		(54 489)	100%	
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:	300 110	2 148 130		2 448 240	(1 937 418)		(4 445 658)	-181.59%	
Cash and Cash Equivalents at the year end:	28 258 691	-		-	27 411 509		27 411 509	100%	
	28 558 801	2 148 130		2 448 240	25 414 091		22 965 851	936.06%	

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the Initial adoption of Standards of GRAP.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts are set out in note 44 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The Implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	1 April 2019

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.15. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee related cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

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(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(d) Ex-Gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee related cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(e) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(g) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.16.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives in years:

<u>Infrastructure</u>	
Roads and Paving	60
Pedestrian Malls	30
Electricity	60
Water	60
Sanitation	60
Sewerage	60
Housing	95
 <u>Community</u>	
Buildings	95
Recreation centres	95
Security	5
Halls	100
Libraries	95
Parks and gardens	20
Other assets	20

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<u>Other</u>	
Buildings	100
Specialist vehicles	15
Other vehicles	16
Office equipment	30
Furniture and fittings	30
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	15
Other plant and Equipment	30
Landfill sites	15
Quarries	25
Emergency equipment	10
Computer equipment	15

Finance lease assets

Office equipment	5
Other assets	5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.16.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- It is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the

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asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.17.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	10
Computer Software Licences	10

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.17.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

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1.18. INVESTMENT PROPERTY

1.18.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at

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each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property
 Buildings

Years
 100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the

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- technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the

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asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the

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asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2. Subsequent Measurement

Inventories, consisting of consumable stores, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no

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objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

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1.21.3. De-recognition

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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1.21.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

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1.22.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be

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recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial

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recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.23.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction

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that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33. VALUE ADDED TAX (VAT)

1.33.1 Current VAT assets and liabilities

Current VAT for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Current VAT liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the VAT authorities, using the tax rates and VAT laws that have been enacted or substantively enacted by the reporting date.

1.33.2 *Deferred VAT assets and liabilities*

Deferred VAT liability is recognised for all taxable temporary differences, except to the extent that the deferred VAT liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (VAT loss).

A deferred VAT asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred VAT asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused VAT to the extent that it is probable that future taxable profit will be available against which the unused VAT losses.

Deferred VAT assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and VAT laws) that have been enacted or substantively enacted by the reporting date.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2018

	Opening Balance	Reclassification	Corrections of Error	Capitalisation			Transfers	Disposals	Closing Balance	Accumulated Impairments			Closing Balance	Depreciation	Transfers	Impairment	Closing Balance	Carrying Value
				Additions	Work in Progress	Transfers				Additions	Reversal	Corrections of Error						
Infrastructure	28 632 300	(1 883 344)	-	1 705 944	-	-	-	-	28 654 900	-	-	-	-	610 518	-	-	5 178 201	23 409 789
Roads	8 562 242	-	-	512 002	2 028 700	-	-	-	11 003 913	-	-	-	-	185 041	-	-	1 082 911	10 051 022
Electricity	32 822 070	1 603 344	-	276 917	3 850 285	-	-	-	38 081 244	-	-	-	-	717 291	-	-	4 088 710	33 967 634
Water Supply	29 339 000	-	-	441 482	-	-	-	-	29 779 387	-	-	-	-	701 653	-	-	3 533 301	26 246 087
Sewerage	655 289	19 000	-	-	-	-	-	-	675 289	-	-	-	-	8 953	-	-	1 000	684 242
Solid Waste	10 482 805	-	-	-	-	-	-	(695 604)	9 787 201	22 715	-	-	-	2 272 440	-	-	8 514	9 787 201
Landfill Site	110 491 370	19 000	-	2 087 004	0 407 914	-	-	(695 604)	119 403 781	22 715	-	-	-	4 534 801	-	-	21 342 483	98 070 597
Community Assets	9 067 270	80 000	-	-	-	-	-	-	9 147 270	-	-	-	-	81 850	-	-	353 204	8 794 066
Community Facilities	1 137 000	108 000	-	-	-	-	-	-	1 245 000	-	-	-	-	14 716	-	-	109 506	1 135 484
Halls	1 189 278	13 200	-	-	-	-	-	(3 050)	1 199 428	662 400	-	-	-	18 733	-	-	107 861	1 091 567
Libraries	51 860	-	-	-	-	-	-	-	51 860	-	-	-	-	-	-	-	-	51 860
Centres/Community	-	116 500	-	-	-	-	-	-	116 500	185 000	(8 000)	-	-	-	-	-	-	20 000
Parks	10 621 975	84 670	-	2 089 473	-	-	-	(23 250)	13 421 790	185 000	-	-	-	53 008	-	-	78 132	13 499 658
Outdoor Facilities	19 257 183	385 170	-	2 838 473	-	-	-	(20 300)	22 450 456	837 400	(5 000)	-	-	154 305	-	-	640 018	22 800 743

FINANCIAL STATEMENTS

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

30 JUNE 2018 (Continued)

Other Assets	Revaluation			Accumulated Impairments			Accumulated Depreciation			Disposal	Closing Balance	Carrying Value
	Opening Balance	Revaluation	Correction of Error	Transfers	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation			
Land	3 658 771	(370 100)	-	-	-	3 288 671	1 407 865	-	-	-	-	1 880 806
Operational Buildings	4 020 649	(33 002)	-	-	(11 004)	4 016 645	488 937	-	-	-	-	3 527 708
Specialist Vehicles	2 405 524	-	-	-	(605 630)	1 799 894	109 176	-	-	-	-	1 889 070
Regular Equipment	910 070	12 646	-	-	(189 620)	733 096	481 370	-	-	(309 319)	-	423 777
Furniture and Office Equipment	1 338 351	(12 644)	-	-	(171 754)	1 153 953	811 471	-	-	(140 814)	-	1 013 139
Machinery and Equipment	731 689	-	-	-	(62 894)	668 795	338 459	-	-	(162 691)	-	506 104
Transport Assets	1 171 635	-	-	-	(213 304)	958 331	46 539	-	-	(65 163)	-	893 167
	14 395 300	(403 100)	-	-	(1 202 600)	12 790 600	2 034 760	-	-	(110 102)	-	10 679 500
Leases	255 037	-	-	-	-	255 037	2 076 489	-	-	(839 149)	-	1 216 337
Furniture and Office Equipment	258 037	-	-	-	-	258 037	89 054	-	-	-	-	169 000
	144 598 985	-	-	-	(1 394 800)	143 204 185	20 382 362	-	-	(851 297)	-	122 635 250

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2.2 30 JUNE 2017

	Capital Expenditure				Assets added in previous				Accumulated Depreciation				Carrying Value
	Opening Balance	Reclassification	Corrections of Error	Additions	Work in Progress	Transfers	Disposals/Impairment	Closing Balance	Opening Balance	Corrections of Error	Depreciation	Transfers	
Infrastructure													
Roads	26 131 022	-	-	280 364	2 232 024	-	-	28 632 360	-	-	619 834	-	-
Electricity	7 384 158	-	-	5 576 163	-	(4 351 539)	(16 539)	6 062 242	-	-	78 922	-	(10 522)
Water Supply	28 528 113	-	-	6 098 354	1 807 487	(1 213 076)	-	32 622 079	-	-	687 726	-	-
Sanitation	27 657 708	-	-	9 108 093	-	(7 490 865)	-	29 269 000	-	-	722 751	-	-
Solid Waste	252 891	-	-	262 364	-	-	-	655 259	-	-	4 910	-	-
Landfill Site	11 757 463	-	-	-	-	-	(1 254 808)	10 482 505	-	1 177	2 020 692	-	-
	69 081 282	-	-	21 302 469	3 690 511	(13 071 478)	(1 270 437)	110 481 378	4 285	(208 649)	5 009 818	-	(10 522)
Community Facilities													
Halls	5 009 943	-	380 389	-	-	-	-	9 097 278	-	32 785	57 462	-	-
Museums	1 137 000	-	-	-	-	-	-	1 137 000	-	-	12 000	-	-
Libraries	1 177 450	-	11 828	-	-	-	-	1 189 278	-	-	12 457	-	-
Centres/Chapels	51 650	-	-	8 377 069	-	(2 172 843)	-	51 069	-	-	-	-	-
Outdoor Facilities	7 617 527	-	-	-	-	-	-	10 821 978	-	-	7 783	-	-
	15 060 570	-	402 564	8 377 069	-	(2 172 843)	-	19 297 183	-	32 785	80 692	-	-
										385 514			

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

to JUNE 2017 (Continued)

[illegible]

A register containing the information required by section 83 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the Change In Accounting estimates due to the review of useful lives and residual values is as follows:

increase in depreciation on other assets for the year:

2018	2018	2020
R	R	R
53 790	118 078	100 431

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials	611 627	803 266
Contracted Services on Maintenance of Unspecified Assets	282 257	525 748
Contracted Services on Maintenance of Buildings and Facilities	-	180 131
Contracted Services on Maintenance of Equipment	10 138	17 436
Total Repairs and Maintenance	904 023	1 306 581
3 INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	13 728 153	13 766 967
Cost	14 913 086	14 913 086
Accumulated Depreciation	(63 687)	(12 854)
Accumulated Impairment Loss	(1 131 246)	(1 131 245)
Depreciation for the year	(6 696)	(40 834)
Impairment loss	184 192	-
Disposal	(273 500)	-
Net Carrying amount at 30 June	13 632 149	13 728 153
Cost	14 639 586	14 913 086
Accumulated Depreciation	(80 383)	(53 687)
Accumulated Impairment Loss	(947 053)	(1 131 245)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	488 690	398 144
4 INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	119 289	111 318
Cost	150 715	130 436
Accumulated Amortisation	(31 426)	(19 118)
Additions	20 770	22 753
Amortisation	(17 275)	(12 709)
Disposals	(2 381)	(2 474)
Net Carrying amount at 30 June	120 402	119 289
Cost	157 610	150 715
Accumulated Amortisation	(37 208)	(31 426)
5 OPERATING LEASE ARRANGEMENTS		
5.1 The Municipality as Lessee		
Operating Lease Asset	41 199	5 493
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	-	-
Current Operating Lease Asset	41 199	5 493
	41 199	5 493
<u>Reconciliation</u>		
Balance at the beginning of the year	5 493	35 060
Movement during the year	35 707	(29 568)
Balance at the end of the year	41 199	5 493

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, the lessor will pay operating lease revenue as follows:		
Up to 1 Year	170 287	207 147
1 to 5 Years	556 514	211 890
More than 5 Years	453 898	-
Total Operating Lease Arrangements	1 180 699	419 037

The leases are in respect of land and buildings being leased out for variable periods with the final lease ending in March 2027.

6 INVENTORY

Consumables	453 852	318 215
Land	219 420	219 420
Materials and Supplies	10 800	13 200
Water	31 304	25 602
Total Inventory	715 376	576 437

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

7 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	1 684 095	1 407 899
Water	3 237 523	1 908 018
Property Rentals	328 798	189 544
Waste Management	461 542	778 074
Waste Water Management	707 289	918 185
Creditors with Debt Balances	57 735	70 024
Debtors with credit balances	411 203	481 811
Other Amounts	118 897	104 173
Total: Receivables from exchange transactions (before provision)	9 005 081	5 853 708
Less: Provision for Debt Impairment	(7 258 588)	(4 071 810)
Total: Receivables from exchange transactions (after provision)	1 746 513	1 781 898

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

(Electricity): Aging

Current (0 - 30 days)	556 003	523 068
31 - 60 Days	198 182	178 390
61 - 90 Days	88 226	105 588
+ 90 Days	843 685	600 853
Total	1 684 095	1 407 899

(Water): Aging

Current (0 - 30 days)	228 718	265 370
31 - 60 Days	158 454	165 183
61 - 90 Days	181 997	184 592
+ 90 Days	2 868 355	1 312 873
Total	3 237 523	1 908 018

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	13 708	(40 743)
31 - 60 Days	11 798	17 428
61 - 90 Days	11 424	7 257
+ 90 Days	289 868	205 601
Total	326 798	189 544
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	130 287	100 708
31 - 60 Days	118 694	91 924
61 - 90 Days	93 949	65 544
+ 90 Days	1 118 612	517 897
Total	1 461 542	776 074
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	90 065	18 183
31 - 60 Days	157 470	138 240
61 - 90 Days	108 717	102 199
+ 90 Days	1 351 036	657 544
Total	1 707 289	916 165
<u>(Other): Ageing</u>		
Current (0 - 30 days)	(13 943)	26 795
31 - 60 Days	89	-
61 - 90 Days	-	-
+ 90 Days	132 772	77 378
Total	118 897	104 174
<u>(Total): Ageing</u>		
Current (0 - 30 days)	1 004 836	893 382
31 - 60 Days	644 687	591 165
61 - 90 Days	482 313	445 181
+ 90 Days	6 404 326	3 372 146
Total	8 536 143	5 301 874
<u>Reconciliation of Provision for Debt impairment</u>		
Balance at beginning of year	4 071 810	12 022 993
Contribution to provision	3 188 758	2 049 765
Reversal of provision	-	(10 000 939)
Balance at end of year	7 258 568	4 071 810
The provision for impairment could be allocated between the different classes of receivables as follows:		
Electricity	926 227	596 108
Water	2 951 231	1 648 630
Refuse	1 350 610	688 664
Sewerage	1 622 344	859 774
Other	408 156	280 638
Balance at end of year	7 258 568	4 071 810

PRINCE ALBERT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Summary of impairment by customer classification		
Government	27 927	-
Commercial	108 169	88 445
Residential	8 021 790	3 693 059
Other	1 102 682	290 306
Balance at end of year	7 258 568	4 071 810

The total amount of this provision is R 7258567.78 and consist of:

Services	6 850 412	3 791 173
Other Debtors	408 156	280 636
Total Provision for Debt Impairment on Receivables from exchange transactions	7 258 568	4 071 810

Ageing of amounts past due but not impaired:

1 month past due	644 867	591 165
2+ months past due	6 886 639	3 817 327
	7 531 306	4 408 492

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

8 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	1 141 867	892 039
Fines	26 294 865	20 827 096
Other Receivables	852 066	489 566
	28 288 798	22 208 701
Less: Provision for Debt Impairment	(26 853 002)	(20 994 280)
Total Receivables from non-exchange transactions	1 435 797	1 214 420

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	20 994 280	10 445 739
Fines Written off during the year	(115)	803 694
Contribution to provision	5 858 837	9 744 847
Balance at end of year	26 853 002	20 994 280

(Rates): Ageing

Current (0 - 30 days)	(6 048)	(34 768)
31 - 60 Days	37 322	39 241
61 - 90 Days	25 553	20 725
+ 90 Days	1 085 039	868 841
Total	1 141 867	892 039

PRINCE ALBERT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
The total amount of this provision consist of:		
Taxes	1 048 321	752 979
Fines	25 804 681	20 241 301
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	<u>26 853 002</u>	<u>20 994 280</u>

Ageing of amounts past due but not impaired:

1 month past due	37 322	39 241
2+ months past due	1 110 592	887 566
	<u>1 147 913</u>	<u>926 807</u>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

9 BANK ACCOUNTS

9.1 Cash and Cash Equivalents

Current Accounts	336 491	1 184 833
Call Deposits and Investments	25 074 550	26 223 827
Cash On-hand	3 050	2 850
Total Cash and Cash Equivalents - Assets	<u>25 414 091</u>	<u>27 411 509</u>

9.2 Liabilities

Current Accounts	-	(847 182)
Total Cash and Cash Equivalents - Liabilities	<u>-</u>	<u>(847 182)</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

A Bank Guarantee is retained for ESKOM by ABSA Bank	9 980	9 980
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The municipality has the following bank accounts:

Current Accounts

Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):	213 490	(847 182)
Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):	123 001	983 718
Prince Albert ABSA Bank - Account Number 4086370253 (Smart Meter Account):	-	1 048 296
	<u>336 491</u>	<u>1 184 833</u>

Call Deposits and Investments

Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):	25 074 550	26 223 827
	<u>25 074 550</u>	<u>26 223 827</u>

Details of current accounts are as follow:

Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):

Cash book balance at beginning of year	(847 182)	2 018 465
Cash book balance at end of year	<u>213 490</u>	<u>(847 182)</u>

Bank statement balance at beginning of year	545 401	2 081 479
Bank statement balance at end of year	<u>216 477</u>	<u>545 401</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):		
Cash book balance at beginning of year	983 718	382 835
Cash book balance at end of year	123 001	983 718
Bank statement balance at beginning of year	979 318	1 233 489
Bank statement balance at end of year	113 001	979 318
Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):		
Cash book balance at beginning of year	28 223 827	23 385 721
Cash book balance at end of year	26 074 550	28 223 827
Bank statement balance at beginning of year	28 223 827	23 230 819
Bank statement balance at end of year	25 074 577	28 223 827
Prince Albert ABSA Bank - Account Number 4086370253 (Smart Meter Account):		
Cash book balance at beginning of year	1 048 296	1 048 296
Cash book balance at end of year	-	1 048 296
Bank statement balance at beginning of year	949 681	97 316
Bank statement balance at end of year	-	949 681
10 LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	85 905	135 201
Less: Current Portion transferred to Current Liabilities	85 905	135 201
Capitalised Lease Liability - At amortised cost	(81 155)	(69 296)
Total Long-term Borrowings	4 750	65 905
	4 750	65 905
10.1 The obligations under finance leases are scheduled below:		
	Minimum payments	
Amounts payable under annuity loans:		
Payable within one year	87 511	97 005
Payable within two to five years	72 598	155 281
	160 108	252 286
Less: Future finance obligations	(94 201)	(117 086)
Present value of annuity loans obligations	65 905	135 201

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. These leases have no significant arrangements.

PRINCE ALBERT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
11 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	19 032 273	18 998 008
Total Non-current Provisions	19 032 273	18 998 008

	2018	2017
	R	R
11.1 Landfill Sites		
Balance 1 July	18 998 008	19 016 813
Contribution for the year	34 266	(18 805)
Total provision 30 June	19 032 273	18 998 008
Balance 30 June	19 032 273	18 998 008

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No provision for current portion is made due to fact that no amount were budgeted for rehabilitation. Currently there is no fixed date for rehabilitation of the landfill sites.

	<i>Prince Albert</i>	<i>Leeu Gamka</i>	<i>Klaarstroom</i>
Area (m²)	24440m²	13880m²	5210m²

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

		2018	2017
	Estimated decommission date	R	R
Prince Albert	2021	9 167 899	9 298 986
Leeu Gamka	2025	6 332 363	6 250 900
Klaarstroom	2036	3 532 011	3 448 122
		19 032 273	18 998 008

12 NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	5 116 307	4 360 868
Provision for Ex-Gratia Pension Benefits	41 328	38 247
Provision for Long Service Awards	1 147 692	1 039 579
Total Non-current Employee Benefits	6 304 327	5 438 694

Post Retirement Health Care Benefits

Balance 1 July	4 564 718	3 975 887
Contribution for the year	837 235	167 570
Interest Cost	428 869	356 148
Expenditure for the year	(203 850)	(194 985)
Actuarial Loss/(Gain)	(283 831)	280 088
Total provision 30 June	5 363 141	4 584 718
Less: Transfer of Current Portion to Current Provisions - Note 14	(247 827)	(203 850)
Balance 30 June	5 115 314	4 380 868

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>Ex-Gratia Pensions</u>		
Balance 1 July	38 895	35 421
Interest Cost	3 414	3 135
Expenditure for the year	(848)	(592)
Actuarial Loss/(Gain)	443	931
Total provision 30 June	42 104	38 895
Less: Transfer of Current Portion to Current Provisions - Note 14	(776)	(648)
Balance 30 June	41 328	38 247
<u>Long Service Awards</u>		
Balance 1 July	1 248 392	1 194 073
Contribution for the year	98 802	99 992
Interest Cost	95 903	98 048
Expenditure for the year	(180 827)	(72 535)
Actuarial Loss/(Gain)	54 809	(73 186)
Total provision 30 June	1 313 079	1 246 392
Less: Transfer of Current Portion to Current Provisions - Note 14	(165 387)	(206 813)
Balance 30 June	1 147 692	1 039 579

12.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	18	15
In-service (employee) non-members	34	37
Continuation members (e.g. Retirees, widows, orphans)	7	7
Total Members	60	59

	2018 R	2017 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	2 228 212	1 733 106
In-service non-members	618 029	505 872
Continuation members	2 807 283	2 325 739
Total Liability	5 449 524	4 564 716

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2015 R	2014 R
In-service members	2 429 405	2 107 493	2 058 733
In-service non-members	529 908	480 882	328 500
Continuation members	1 546 482	1 734 575	1 876 610
Total Liability	4 505 793	4 302 930	4 063 843

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
LA Health
Key Health, and
SAMWU Medical Aid

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Key actuarial assumptions used:	2018 %	2017 %
I) Rate of Interest		
Discount rate	9.54%	9.60%
Health Care Cost Inflation Rate	7.35%	7.89%
Net Effective Discount Rate	2.05%	1.59%

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5 363 141	4 564 718
	<u>5 363 141</u>	<u>4 564 718</u>
Net liability	<u>5 363 141</u>	<u>4 564 718</u>
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	4 564 718	3 975 887
Total expenses	1 062 254	328 733
Current service cost	837 235	167 670
Interest Cost	428 869	356 148
Benefits Paid	(203 850)	(194 985)
Actuarial (gains)/losses	(263 831)	260 098
Present value of fund obligation at the end of the year	<u>5 363 141</u>	<u>4 564 718</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	2.842	2.607	5.449

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.476	2.860	6.336	16.28%
Health care inflation	-1%	2.344	2.390	4.734	-13.12%
Discount rate	1%	2.357	2.398	4.753	-12.77%
Discount rate	-1%	3.468	2.857	6.325	16.08%
Post-retirement mortality	-1 year	2.932	2.709	5.641	3.52%
Average retirement age	-1 year	3.100	2.807	5.707	4.73%
Withdrawal Rate	-50%	2.305	2.807	4.912	-9.86%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2018

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	191 600	508 500	700 100

The effect of movements in the assumptions are as follows:

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care Inflation	1%	241 400	593 100	834 500	18%
Health care Inflation	-1%	153 400	440 300	593 700	-15%
Discount rate	1%	155 700	488 400	644 100	-8%
Discount rate	-1%	238 700	530 000	768 700	10%
Post-retirement mortality	-1 year	197 600	528 800	724 400	3%
Average retirement age	-1 year	208 300	533 200	739 500	8%
Withdrawal Rate	-50%	148 800	457 300	606 100	-13%

	2018 R	2017 R
12.2 Provision for Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans.		
As at year end, the following number of employees were eligible for Long Service Bonuses.	53	47
Key actuarial assumptions used:	%	%
1) Rate of Interest		
Discount rate	8.57%	8.38%
General Salary Inflation (long-term)	8.18%	6.20%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.25%	2.05%
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 313 079	1 246 392
	1 313 079	1 246 392
Net liability	1 313 079	1 246 392
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 246 392	1 194 073
Total expenses	11 878	125 505
Current service cost	96 802	99 992
Interest Cost	95 903	98 048
Benefits Paid	(180 827)	(72 535)
Actuarial (gains)/losses	54 809	(73 186)
Present value of fund obligation at the end of the year	1 313 079	1 246 392
Sensitivity Analysis on the Accrued Liability on 30 June 2018		

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.313	
General salary Inflation	1%	1.399	7%
General salary Inflation	-1%	1.235	-6%
Discount rate	1%	1.232	-6%
Discount rate	-1%	1.404	7%
Average retirement age	-2 yrs	1.174	-11%
Average retirement age	2 yrs	1.516	15%
Withdrawal rates	-50%	1.556	19%

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	111 400	105 600	217 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care Inflation	1%	120 900	113 000	233 900	8%
Health care Inflation	-1%	102 900	98 900	201 800	-7%
Discount rate	1%	103 800	110 200	213 800	-1%
Discount rate	-1%	120 200	100 200	220 400	2%
Post-retirement mortality	-1 year	98 500	93 700	192 200	-11%
Average retirement age	-1 year	123 400	123 000	246 400	14%
Withdrawal Rate	-50%	144 200	128 500	270 700	25%
				2018 Rm	2017 Rm

12.3 Ex Gratia Payments

The Ex Gratia plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

7	7
---	---

Key actuarial assumptions used:

2018 %	2017 %
--------	--------

1) Rate of Interest

Discount rate	8.92%	8.85%
---------------	-------	-------

2018 R	2017 R
--------	--------

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	42 104	38 895
	42 104	38 895
Net liability	42 104	38 895

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	38 895	35 421
Total expenses	2 768	2 543
Interest Cost	3 414	3 135
Benefits Paid	(848)	(592)
Actuarial losses	443	931
Present value of fund obligation at the end of the year	42 104	38 895

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sensitivity Analysis on the Accrued Liability on 30 June 2018

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		42 104	
Discount rate	1%	40 949	-3%
Discount rate	-1%	43 343	3%
Average retirement age	-1 yrs	45 662	8%

Sensitivity Analysis on Interest Cost for the year ending 30 June 2019

	Change	Interest Cost (R)	Total (R)	% change
Assumption				
Central Assumptions		3.724	3.724	
Discount rate	1%	4.027	4.027	8%
Discount rate	-1%	3.404	3.404	-9%
Average retirement age	-1 year	3.296	3.296	-11%

12.4 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2018 R	2017 R
<u>CAPE JOINT PENSION FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).		
Contributions paid recognised in the Statement of Financial Performance	<u>1 582 925</u>	<u>1 334 000</u>

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 118% (30 June 2014 - 101.7%).

DEFINED CONTRIBUTION FUNDS

Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
13 CONSUMER DEPOSITS		
Electricity	255 957	257 003
Rental Properties	7 488	7 488
Water	184 318	188 464
Total Consumer Deposits	447 761	432 955

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

14 CURRENT EMPLOYEE BENEFITS

Performance Bonuses		
Staff Bonuses	585 926	456 247
Staff Leave	1 144 306	879 312
Current Portion of Non-Current Provisions	413 990	411 311
Current Portion of Post Retirement Benefits - Note 12	247 827	203 850
Current Portion of Ex-Gratia Pension Provisions - Note 12	776	648
Current Portion of Long-Service Provisions - Note 12	165 387	206 813
Total Provisions	2 144 222	1 746 871

14.1 Staff Bonuses

Balance at beginning of year	456 247	433 085
Contribution to current portion	999 100	750 927
Expenditure Incurred	(869 422)	(727 775)
Balance at end of year	585 926	456 247

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

14.2 Staff Leave

Balance at beginning of year	879 312	967 123
Contribution to current portion	398 869	192 098
Expenditure Incurred	(133 866)	(279 909)
Balance at end of year	1 144 306	879 312

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

15 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	2 520 543	4 077 362
Retentions	-	588 144
Housing Subsidy	2	2 864 861
Other Payables	22 268	15 692
Debtors with credit balances	411 203	481 811
Total Trade Payables	2 954 016	8 027 860

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		R	R
16	UNSPENT TRANSFERS AND SUBSIDIES		
	Unspent Transfers and Subsidies	2 318 472	1 782 180
	National Government Grants	-	731 470
	Provincial Government Grants	2 318 472	1 050 890
	Less: Unpaid Transfers and Subsidies	(1 895 217)	-
	National Government Grants	(1 895 217)	-
	Total Unspent Transfers and Subsidies	423 255	1 782 180
	See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
17	VALUE ADDED TAX		
17.1	VAT Payable		
	VAT Output In Suspense	(532 864)	(190 230)
	Total VAT Payable	(532 864)	(190 230)
17.2	VAT Receivable		
	VAT Input In Suspense	636 722	566 998
	Total VAT Receivable	3 562 873	2 749 477
17.3	Net VAT Receivable	4 199 598	3 316 475
	VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.	3 666 732	3 126 245
18	SHORT-TERM BORROWINGS		
	The Municipality has no short term borrowings.		
19	NET ASSET RESERVES		
	RESERVES	13 160 543	1 211 687
	Opening Balance	1 211 687	1 489 180
	Contribution to Capital Replacement Reserve	11 500 000	(257 473)
	Sale of Assets	448 856	-
	Total Net Asset Reserve and Liabilities	13 160 543	1 211 687
	The Capital Replacement Reserve is used to finance future capital expenditure from own funds.		
20	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	3 765 799	3 425 808
	Residential Properties	3 765 799	3 425 808
	Less: Revenue Forgone	(599 852)	(562 317)
	Total Property Rates	3 165 948	2 873 491

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
<u>Valuations - 1 July 2017</u>		
Rateable Land and Buildings	1 982 008 000	1 352 765 400
Prince Albert: Land and Buildings	841 674 000	617 967 700
Lesu-Gamka: Land and Buildings	32 848 000	25 345 200
Klaarstroom: Land and Buildings	15 849 000	10 589 900
Welgemoed: Land and Buildings	9 137 000	8 811 600
Rural: Land and Buildings	1 082 500 000	690 651 100
Total Assessment Rates	1 982 008 000	1 352 765 400

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate	c/R	c/R
Standard property rates excluding agriculture and vacant land	0.33000	0.4240
Agricultural	0.08300	0.1020
Vacant Land	0.41900	0.5610

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21 GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and Subsidies - Operating	23 890 867	23 426 763
Equitable Share	17 652 000	16 192 000
Expanded Public Works Programme Integrated Grant	1 000 000	1 000 000
Local Government Financial Management Grant	1 700 000	1 625 000
Municipal Infrastructure Grant (PMU)	380 450	349 705
Libraries, Archives and Museums	1 505 000	1 427 000
Capacity Building	120 000	-
Internship recruitment - WC	8 528	-
Western Cape Financial Management Grant	970 984	-
mSCOA Grant	330 000	220 000
Community Development Workers	74 000	75 000
Financial Management - Provincial	-	2 508 831
SETA	24 907	29 227
Central Karoo District Municipality - mSCOA Grant	125 000	-
Government Grants and Subsidies - Capital	10 725 785	14 689 548
Integrated National Electrification Programme Grant	2 895 217	1 000 000
Municipal Infrastructure Grant	7 228 660	8 812 688
Additional WC Drought relief for Boreholes	161 992	-
Accelerated housing	-	4 747 647
Drought Relief Grant - Western Cape	440 026	129 310
Total Government Grants and Subsidies	34 616 653	38 116 309

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
21.1 <u>Equitable Share</u>		
Grants received	17 652 000	16 192 000
Conditions met - Operating	(17 652 000)	(16 192 000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

21.2 Local Government Financial Management Grant (FMG)

Grants received	1 700 000	1 625 000
Conditions met - Operating	(1 700 000)	(1 625 000)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

21.3 Municipal Infrastructure Grant (MIG)

Opening balance	731 489	2 881 782
Grants received	7 609 000	7 212 000
Repaid to National Revenue Fund	(731 489)	-
Conditions met - Operating	(380 460)	(349 706)
Conditions met - Capital	(7 228 550)	(8 812 588)
Conditions still to be met	-	731 489

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

21.4 Integrated National Electrification Grant

Grants received	1 000 000	1 000 000
Conditions met - Capital	(2 895 217)	(1 000 000)
Conditions met	(1 895 217)	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

21.5 Housing Grant

Opening balance	-	4 747 647
Conditions met - Capital	-	(4 747 647)
Conditions still to be met	-	-

The Housing grant was utilised for the development of erven and the erection of top structures.

21.6 Library Grant

Grants received	1 505 000	1 427 000
Conditions met - Operating	(1 505 000)	(1 427 000)
Conditions still to be met	-	-

The library grant was utilised to maintain the library function of the municipality.

PRINCE ALBERT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
21.7 Other Grants		
Opening balance	1 050 691	3 008 832
Correction of Error	"	120 000
Grants received	8 479 418	1 684 226
Interest received	-	"
Repaid to National Revenue Fund	(370 690)	-
Conditions met - Operating	(6 238 928)	(3 833 058)
Conditions met - Capital	(602 018)	(129 310)
Conditions still to be met	<u>2 318 473</u>	<u>1 050 691</u>
Various grants from National and Provincial Treasury. Refer to Appendix E for more information.		
21.8 Total Grants		
Opening balance	1 782 160	10 438 241
Correction of Error	"	120 000
Grants received	37 945 418	29 340 226
Repaid to National Revenue Fund	(1 102 189)	-
Conditions met - Operating	(27 476 378)	(23 428 763)
Conditions met - Capital	(10 725 785)	(14 689 545)
Conditions still to be met/(Grant expenditure to be recovered)	<u>423 255</u>	<u>1 782 160</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	2 318 472	1 782 160
Unpaid Conditional Government Grants and Receipts	(1 895 217)	-
Total	<u>423 255</u>	<u>1 782 160</u>
22 PUBLIC CONTRIBUTIONS AND DONATIONS		
Public Contributions - Conditional	2 538 473	1 400 000
Donations	5 000	-
Total Public Contributions and Donations	<u>2 543 473</u>	<u>1 400 000</u>
23 FINES, PENALTIES AND FORFEITS		
Traffic fines	6 502 440	11 912 450
Other fines	9 658	12 280
Total Fines	<u>6 512 098</u>	<u>11 924 710</u>
<i>Additional information to enable better understandings by user</i>		
Provision for debt impairment	(5 563 380)	(9 401 426)
<i>Recoverable fines</i>	<u>948 718</u>	<u>2 523 284</u>
24 LICENCES AND PERMITS		
Road and Transport	261 966	262 666
Total Licences and Permits	<u>261 966</u>	<u>262 666</u>
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	261 966	262 666
Total Licences and Permits	<u>261 966</u>	<u>262 666</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
25	SERVICE CHARGES		
	Electricity	13 441 081	13 288 171
	Service Charges	13 972 273	13 730 911
	<u>Less:</u> Revenue Forgone	(531 212)	(482 738)
	Water	3 318 827	3 628 300
	Service Charges	4 407 322	4 887 493
	<u>Less:</u> Revenue Forgone	(1 088 495)	(1 039 192)
	Waste Management	1 537 441	1 489 880
	Service Charges	2 182 184	2 040 485
	<u>Less:</u> Revenue Forgone	(644 744)	(570 605)
	Waste Water Management	2 905 830	2 554 115
	Service Charges	3 954 073	3 487 318
	<u>Less:</u> Revenue Forgone	(1 048 243)	(933 203)
	Total Service Charges	<u>21 203 189</u>	<u>20 920 447</u>
	Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
26	RENDERING OF SERVICES		
	Building Plan Approval	83 797	94 860
	Cemetery and Burial	14 244	10 496
	Swimming pool Entrance Fees	40 888	-
	Fire Services	51 887	23 536
	Photocopies and Faxes	2 871	981
	Tender documents	6 404	1 318
	Stone and Gravel	702	140
	Town Planning and Servitudes	44 191	96 706
	Valuation Services	21 805	18 579
	Total Sales of Goods and Rendering of Services	<u>266 166</u>	<u>244 813</u>
27	RENTAL FROM FIXED ASSETS		
	Property, Plant and Equipment	488 690	398 144
	Total Rental from Fixed Assets	<u>488 690</u>	<u>398 144</u>
28	INTEREST EARNED - EXTERNAL INVESTMENTS		
	Bank	2 588 273	2 282 808
	Total Interest Earned - External Investments	<u>2 588 273</u>	<u>2 282 808</u>
29	INTEREST EARNED - EXCHANGE TRANSACTIONS		
	Trade Receivables	573 253	510 251
	Total Interest Earned - Outstanding Receivables	<u>573 253</u>	<u>510 251</u>
30	OPERATIONAL REVENUE		
	Administrative Handling Fees	15 831	83 489
	Commission	5 155	500
	Insurance Refund	274 387	8 003
	Request for Information	-	1 694
	Total Operational Revenue	<u>295 353</u>	<u>93 686</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
31 EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	13 426 537	10 509 999
Pension and UIF Contributions	1 582 925	1 334 000
Medical Aid Contributions	523 767	422 533
Overtime	633 670	597 722
Bonuses	999 100	750 927
Motor Vehicle Allowance	400 984	281 906
Cell Phone Allowance	75 900	59 805
Housing Allowances	114 556	106 256
Other benefits and allowances	689 097	592 509
Payments in lieu of leave	386 859	192 098
Post-retirement Benefit Obligations	1 492 295	724 892
Total Employee Related Costs	20 337 691	15 572 647
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual remuneration	913 901	901 551
Car allowance	148 600	104 640
Housing allowance	18 000	18 000
Cell phone allowance	18 000	18 000
Contributions to medical fund	40 923	37 782
Total	1 139 424	1 079 973
<i>Remuneration of the Chief Financial Officer</i>		
Annual remuneration	671 716	671 007
Car allowance	96 000	96 000
Cell phone allowance	12 000	12 000
Contributions to medical and pension funds	147 932	149 769
Total	927 648	928 776
<i>Remuneration of Director : Corporate Services</i>		
Annual remuneration	580 557	374 377
Car allowance	25 416	25 416
Cell phone allowance	12 000	12 000
Contributions to medical and pension funds	104 600	87 388
Total	722 473	479 181

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
32 REMUNERATION OF COUNCILLORS		
Mayor	591 638	543 412
Deputy Mayor	284 768	231 345
Speaker	473 784	425 928
Councillors	753 784	686 883
Car Allowance	533 400	527 750
Cell phone Allowance	285 600	178 245
Contributions to medical and pension funds	-	23 294
Data cards	25 200	-
Total Councillors' Remuneration	2 928 175	2 626 667

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	591 638	153 600	44 400	-	789 638
Executive Deputy-Mayor / Deputy-Mayor	284 768	67 800	44 400	-	376 968
Speaker	473 784	122 400	44 400	-	640 584
Councillors	753 784	189 600	177 600	-	1 120 984
Total Councillors' Remuneration	2 083 975	533 400	310 800	-	2 928 175

In-kind Benefits

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

33 CONTRIBUTION TO IMPAIRMENT LOSS ON RECEIVABLES

Trade Receivables from exchange transactions - Note 7	2 798 777	1 836 809
Trade Receivables from non-exchange transactions - Note 8	5 858 837	9 744 847
Total Contribution to Impairment Provision	8 657 614	11 581 655

Additional Information to enable better understanding by user.

Trade Receivables from exchange transactions

Electricity	289 933	(44 306)
Water	1 144 024	1 082 430
Refuse	583 118	285 245
Sewerage	669 735	497 308
Other	111 968	18 132
	2 798 777	1 836 809

Trade Receivables from non exchange transactions

Rates	295 457	343 421
Traffic Fines	5 563 380	9 401 426
	5 858 837	9 744 847

34 CONTRACTED SERVICES

Outsourced Services	541 890	1 090 411
Consultants and Professional Services	4 238 438	4 026 324
Contractors	2 369 723	2 491 554
Total Contracted Services	7 150 151	7 608 289

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		R	R
35	DEPRECIATION AND AMORTISATION		
	Property, Plant and Equipment	5 439 090	5 328 092
	Intangible Assets	17 275	12 709
	Investment Property carried at cost	6 688	40 834
	Total Depreciation and Amortisation	5 463 051	5 381 635
36	FINANCE COSTS		
	Long-term Borrowings	18 216	26 846
	Non-current Provisions	1 139 680	1 236 093
	Interest on outstanding VAT payment	-	31 136
	Total Finance Costs	1 158 097	1 294 075
37	BULK PURCHASES		
	Electricity	9 522 208	9 729 734
	Total Bulk Purchases	9 522 208	9 729 734
38	INVENTORY CONSUMED		
	Materials and Supplies	647 971	599 495
	Consumables at Standard Rated	530 399	438 416
		1 178 371	1 037 911
39	TRANSFERS AND SUBSIDIES		
	Operational	380 000	115 000
	Monetary Allocations	380 000	115 000
	Bursaries	120 000	-
	Non-profit Institutions	260 000	115 000
	Total Transfers and Subsidies	380 000	115 000
40	OPERATIONAL COSTS		
	Advertising, Publicity and Marketing	85 301	116 373
	Audit Fees	3 236 991	2 890 951
	Bank Charges, Facility and Card Fees	240 014	183 378
	Commission	287 259	170 588
	Courier and Delivery Services	1 998	-
	Communication	654 873	667 686
	Deeds	16 918	11 973
	Entertainment	93 291	43 133
	External Computer Service	131 675	751 920
	Hire Charges	25 086	97 951
	Indigent Relief	48 607	91 459
	Insurance Underwriting	216 677	179 308
	Levies Paid - Water Resource Management Charges	104 921	17 480
	Licences	39 616	12 483
	Management Fee	15 831	70 000
	Municipal Services	426 647	405 876
	Printing, Publications and Books	14	-
	Professional Bodies, Membership and Subscription	535 370	500 913
	Remuneration to Ward Committees	183 360	183 032
	Skills Development Fund Levy	150 784	121 600
	Travel and Subsistence	1 433 461	1 371 704
	Wet Fuel	627 150	480 585
	Workmen's Compensation Fund	110 000	15 589
	Total Operational Costs	8 666 143	8 363 963

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
41 DISCLOSURE IN TERMS OF MFMA 123 (1) (c)		
Operating grant expenditure per vote		
Vote 1 - EXECUTIVE AND COUNCIL	680 037	-
Vote 2 - DIRECTOR FINANCE	2 571 439	2 576 344
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-
Vote 4 - DIRECTOR COMMUNITY	128 526	97 602
Vote 5 - DIRECTOR TECHNICAL SERVICES	-	111 828
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	3 380 002	2 785 775
42 LOSS ON DISPOSAL OF FIXED ASSETS		
Property, Plant and Equipment	(703 583)	(47 942)
Total Loss on Disposal of Fixed Assets	(703 583)	(47 942)
The disposal of PPE are not due to the sale of them, but was not supposed to be in the Fixed Asset Register as we do not own these properties nor do we have control over them.		
43 (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS ON FIXED ASSETS		
Property, Plant and Equipment		
Addition of Impairment on Landfill site	(22 715)	48 246
<i>a new General valuation was performed in the 2016-2017 financial year with an effective date of 01 July 2017. This lead some properties that decreased in value which in turn lead to an impairment adjustment.</i>		
	(1 204 877)	-
	(1 227 592)	48 246
Total Reversal of Impairment / (Impairment Loss) on Fixed Assets	(1 227 592)	48 246

44 RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Capital Replacement Reserve	1 211 687	-	1 211 687
Accumulated Surplus	129 182 779	1	129 182 779
Long-term Liabilities	85 905	-	85 905
Non-current Provisions	18 998 008	-	18 998 008
Non-current Employee Benefits	5 438 694	-	5 438 694
Consumer Deposits	432 955	-	432 955
Current Employee Benefits	1 748 870	1	1 748 871
Trade and Other Payables from Exchange Transactions	7 964 085	-	7 964 085
Unspent Conditional Government Grants and Receipts	1 662 160	-	1 662 160
Cash and Cash Equivalents	847 182	-	847 182
Current Portion of Long-term Liabilities	69 296	-	69 296
Property, Plant and Equipment	119 247 574	1	119 247 575
Investment Property	13 286 342	-	13 286 342
Intangible Assets	119 289	-	119 289
Inventory	574 437	-	574 437
Receivables from exchange transactions	1 652 085	140 486	1 792 571
Receivables from non-exchange transactions	1 349 466	(140 491)	1 208 975
Operating Lease Asset	5 494	(1)	5 493
Taxes	3 126 243	3	3 126 245
Cash and Cash Equivalents	28 258 691	-	28 258 691
		-	-

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	2 873 481	-	2 873 481
Government Grants and Subsidies - Capital	14 816 418	128 872	14 889 548
Government Grants and Subsidies - Operating	21 712 764	(1 833 999)	23 546 783
Contributed Property, Plant and Equipment	1 400 000	-	1 400 000
Actuarial Gains	73 186	-	73 186
Fines	11 918 800	(8 110)	11 924 710
Service in kind	3 087 740	-	3 087 740
Service Charges	20 831 398	(10 481)	20 841 859
Sales of Goods and Rendering of Services	-	(244 613)	244 613
Rental of Facilities and Equipment	387 545	387 545	-
Rental from Fixed Assets	-	(387 405)	387 405
Interest Earned - external Investments	2 282 808	-	2 282 808
Interest Earned - Exchange Transactions	510 251	-	510 251
Licences and Permits	262 666	-	262 666
Other Income from Exchange Transactions	2 104 661	2 104 661	-
Operational Revenue	-	(88 240)	88 240
Employee related costs	14 116 043	(1 456 604)	15 572 647
Remuneration of Councillors	2 626 667	-	2 626 667
Contracted Services	5 828 470	(1 705 289)	7 533 759
Depreciation and Amortisation	5 591 297	-	5 591 297
Repairs and Maintenance	1 217 131	1 217 131	-
Actuarial Losses	261 030	-	261 030
Finance Costs	1 751 406	457 331	1 294 075
Bulk Purchases	7 921 716	(1 808 018)	9 729 734
Inventory Consumed	-	(1 041 682)	1 041 682
Transfers and Subsidies	-	(115 000)	115 000
Operational Costs	-	(8 375 432)	8 375 432
General expenditure	12 827 584	12 827 584	-
Reversal of Impairment Loss on Receivables	11 581 656	1	11 581 655
Gains on Sale of Fixed Assets	47 942	2	47 942
(Impairment Loss) on Fixed Assets	-	48 246	(48 246)
Net Surplus/(Deficit) for the year	18 570 602	-	18 570 603

45 CORRECTION OF ERROR IN TERMS OF GRAP 3

	2017 Re-classified	Adjustments for errors	2017 Restated
STATEMENT OF FINANCIAL POSITION			
Property, Plant and Equipment	119 247 575	(2 841 344)	122 088 919
Investment Property	13 286 342	(441 811)	13 728 153
Intangible Assets	119 289	-	119 289
Inventory	574 437	-	574 437
Receivables from Exchange Transactions	1 792 571	10 873	1 781 698
Receivables from Non-exchange Transactions	1 208 975	(5 445)	1 214 420
Operating Lease Asset	5 493	-	5 493
Value Added Tax	3 126 245	-	3 126 245
Cash and Cash Equivalents	28 258 691	-	28 258 691
Long-term Borrowings	(65 905)	-	(65 905)
Non-current Provisions	(18 998 008)	-	(18 998 008)
Non-current Employee Benefits	(5 438 694)	-	(5 438 694)
Consumer Deposits	(432 955)	-	(432 955)
Current Employee Benefits	(1 748 871)	-	(1 748 871)
Trade and Other Payables from Exchange Transactions	(7 964 085)	63 776	(8 027 861)
Unspent Transfers and Subsidies	(1 682 180)	120 000	(1 782 180)
Cash and Cash Equivalents	(847 182)	-	(847 182)
Current Portion of Long-term Borrowings	(89 296)	-	(89 296)
Capital Replacement Reserve	(1 211 687)	-	(1 211 687)
Accumulated Surplus	(129 182 775)	3 094 151	(132 276 926)
Total Net Assets and Liabilities	-	-	-

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

REVENUE

Property Rates	2 873 491	-	2 873 491
Government Grants and Subsidies - Operating	23 546 763	(120 000)	23 426 763
Government Grants and Subsidies - Capital	14 689 546	-	14 689 546
Service in kind	3 067 740	-	3 067 740
Contributed Property, Plant and Equipment	1 400 000	-	1 400 000
Actuarial Gains	73 186	-	73 186
Fines, Penalties and Forfeits	11 924 710	-	11 924 710
Service Charges	20 841 859	(21 412)	20 820 447
Rendering of Services	244 613	-	244 613
Rental from Fixed Assets	387 405	10 739	398 144
Interest Earned - External Investments	2 282 808	-	2 282 808
Interest Earned - Exchange Transactions	510 251	-	510 251
Licences and Permits	262 666	-	262 666
Operational Revenue	88 240	5 445	93 686
Total Revenue	82 293 278	(125 228)	82 168 050

	2017	Adjustments for errors	2017
	Re-classified		Restated
EXPENDITURE			
Employee related costs	15 572 647	-	15 572 647
Remuneration of Councillors	2 626 667	-	2 626 667
Contracted Services	7 533 759	74 530	7 608 289
Depreciation and Amortisation	5 591 287	(209 662)	5 381 635
Actuarial Losses	261 030	-	261 030
Finance Costs	1 294 076	-	1 294 076
Bulk Purchases	9 729 734	-	9 729 734
Inventory Consumed	1 041 682	(3 771)	1 037 911
Transfers and Subsidies	115 000	-	115 000
Operational Costs	8 375 432	(11 469)	8 363 963
Total Expenditure	52 141 324	(150 372)	51 990 952
Operating Surplus for the Year	30 151 954	25 144	30 177 098
Contribution to Impairment Loss on Receivables	(11 581 655)	-	(11 581 655)
Loss on Disposal of Fixed Assets	(47 942)	-	(47 942)
Impairment Loss on Fixed Assets	48 246	-	48 246
NET SURPLUS FOR THE YEAR	18 570 603	25 144	18 595 747

45.1 Property, Plant and Equipment

Balance previously reported	119 247 575
Depreciation Incorrectly calculated in the prior year	208 545
Community assets previously not recognised.	402 164
Land and Buildings previously not recognised correctly.	2 377 293
Accumulated Depreciation on recognised community assets.	(146 658)
Restated Balance	122 088 919

Depreciation calculated incorrectly on landfill sites. This lead to the carrying vale being stated incorrectly.
Community assets previously not recognised correctly.
Land and Buildings previously not recognised correctly.
Accumulated Depreciation on Land and Buildings previously not recognised correctly.

45.2 Investment Property

Balance previously reported	13 266 342
Additions to Investment properties not previously recognised	441 811
Restated Balance	13 728 153

After comparing the deeds search with the FAR it was efadent that some erfs were not accounted for correctly. Investment properties were therefore restated.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
45.3 Receivables from Exchange Transactions		
Balance previously reported		1 792 571
Revenue recognised in the incorrect financial year		10 739
Revenue recognised incorrectly		(21 412)
Restated Balance		1 781 898

Revenue for Rental Income recognised in the incorrect financial year. Restated to correct the recognition.

Revenue recognised incorrectly in the prior year and therefore corrected.

45.4 Receivables from Non-Exchange Transactions		
Balance previously reported		1 208 975
Insurance claim received in the 2015-2016 financial year		5 445
Restated Balance		1 214 420

An Insurance claim that was paid out in the 2015-2016 financial year was incorrectly taken to Trade receivables and not treated as a Loss or Gain on the disposal of an Asset

45.6 Trade and Other Payables from Exchange Transactions		
Balance previously reported		8 009 338
Credit note received mSCOA project not yet completed		(21 000)
Credit note materials not received		(3 771)
Credit notes treated incorrectly in the prior year		186 948
Retention not treated correctly		(103 719)
Internal audit fee not recognised in the correct financial year		95 530
Computer expenses paid in the incorrect financial year		10 108
Credit notes for creditors reversed in the prior financial years		(114 800)
Deposits paid back from Sundry Creditors		4 485
Restated Balance		8 073 115

The municipality's previous main frame service provider discontinued their services. The implementation of mSCOA, that had to be paid in advance, was not completed. A credit note was issued by Fujitsu for an amount of R21 000.

Credit note on materials not received from Klein-Karoo Co-operation for an amount of R3 771.

Credit note journal reversed to correct Creditors reconciliation.

INEP Retention not treated correctly. Retention should not have been raised in the 2016-2017 financial year.

Internal audit fees recognised in the incorrect financial year.

Computer expenses recognised in the incorrect financial year.

Credit notes for the dpt of Water and sanitation relating to prior years.

A Deposit was paid back for the purchase of a vacant erf of the Municipality. The sale did not occur.

45.7 Unspent Transfers and Subsidies		
Balance previously reported		1 662 160
Capacity Grant not spent in accordance with Provincial Treasury legislation		120 000
Restated Balance		1 782 160

The capacity grant spent was not in accordance with Provincial Treasury legislation. Grant however was not paid back, but spent correctly in the 2017-2018 financial year.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
46 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	9 087 729	18 595 747
Adjustments for:		
Depreciation and Amortisation	5 483 081	5 381 635
Loss on Sale of Fixed Assets	703 583	1 302 840
Impairment Loss/(Reversal of Impairment Loss)	1 227 592	(48 246)
Contributed Property, Plant and Equipment	(2 538 473)	(1 400 000)
Contribution to provisions – Bad Debt	8 667 614	11 581 855
Repaid to National Revenue Fund	(1 102 159)	-
Change in Provision for Rehabilitation Cost	34 286	(18 805)
Government Grants and Subsidies received	37 945 418	-
Government Grants and Subsidies recognised as revenue	(38 202 163)	-
Contribution from/to provisions - Non-Current Employee Benefits	1 074 219	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	55 252	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(283 831)	-
Disposal landfill sites	585 604	-
Operating Surplus/(Deficit) before changes in working capital	22 707 811	35 394 828
Changes in working capital	(14 237 225)	(19 015 717)
(Decrease)/Increase in Trade and Other Payables	(5 073 845)	2 225 897
(Decrease) in Unspent Conditional Government Grants and Receipts	-	(8 656 082)
(Decrease) in Taxes	(540 487)	(1 171 040)
Decrease/(Increase) in Operating lease asset	(35 707)	29 588
(Increase) in Inventory	(140 939)	(104 087)
(Increase) in Gross Debtors from exchange and non exchange	(8 843 605)	(11 919 738)
Increase in Employee benefits	397 357	579 986
Cash generated by operations	8 470 386	18 379 109
47 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents Included in the cash flow statement comprise the following:		
Current Accounts - Note 9	336 491	1 184 833
Call Deposits and Investments - Note 9	25 074 550	26 223 827
Cash Floats - Note 9	3 050	2 850
Total cash and cash equivalents	25 414 091	27 411 509
48 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 47	25 414 091	27 411 509
Less:	(2 318 472)	(1 782 160)
Unspent Transfers and Subsidies - Note 16	(2 318 472)	(1 782 160)
Net cash resources available for internal distribution	23 095 619	25 629 350
Allocated to:		
Capital Replacement Reserve	(1 211 687)	(1 469 160)
Resources available for working capital requirements	21 883 932	24 160 190
49 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 10	65 905	135 201
Used to finance property, plant and equipment - at cost	(65 905)	(135 201)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

50

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	8 585 001	
Unauthorised expenditure current year - operational	5 116 614	6 585 001
Unauthorised expenditure current year - capital		
Approved by Council or condoned	(6 585 001)	
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	5 116 614	6 585 001

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2018 R	2017 R
Provision for traffic fines incorrectly budgeted for.	None	2 142 291	3 709 303
Provision for landfillsite incorrectly budgeted for	None	2 974 323	2 855 699
		5 116 614	6 565 001

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Vote 1 - EXECUTIVE AND COUNCIL	8 928 482	7 209 680	(281 198)	-
Vote 2 - DIRECTOR FINANCE	18 848 438	24 827 420	(8 178 982)	-
Vote 3 - DIRECTOR CORPORATE	4 873 658	5 286 080	(412 402)	-
Vote 4 - DIRECTOR COMMUNITY	11 533 751	9 391 480	2 142 291	2 142 291
Vote 5 - DIRECTOR TECHNICAL SERVICES	27 420 893	24 446 570	2 974 323	2 974 323
	67 405 222	71 161 190	(3 755 968)	5 116 614

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
<u>Unauthorised expenditure current year - capital</u>				
Vote 1 - EXECUTIVE AND COUNCIL	85 743	110 000	(24 257)	-
Vote 2 - DIRECTOR FINANCE	419 231	4 893 000	(4 473 769)	-
Vote 3 - DIRECTOR CORPORATE	27 360	37 500	(10 140)	-
Vote 4 - DIRECTOR COMMUNITY	147 561	549 000	(401 439)	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	10 701 053	11 828 550	(1 127 497)	-
	11 380 947	17 418 050	(6 037 103)	-

50.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	31 136	
Fruitless and wasteful expenditure current year	1 494	31 136
Condoned or written off by Council	(31 136)	
Fruitless and wasteful expenditure awaiting condonement	1 494	31 136

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2018 R	2017 R
Interest & Penalty on late payment of May 2017's VAT account.	None		31 136
Interest & Penalty on late payment of February 2018's VAT account.	None	1 494	
		1 494	31 136

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
50.3 Irregular expenditure		
Reconciliation of Irregular expenditure:		
Opening balance	224 500	222 067
Irregular expenditure current year	772 114	2 433
Written off by council relating to SCM non-compliance	(222 087)	-
Written off by council relating to Local content	(750 280)	-
Irregular expenditure awaiting further action	24 286	224 500

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Non compliance with SCM - Local Content	None	750 280	-
Non compliance with SCM	None	4 407	224 500
Non compliance with SCM - Not on CSD	None	17 446	-
		772 114	224 500

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	-	-
Council subscriptions	500 000	500 000
Amount paid - current year	(500 000)	(500 000)
Balance unpaid (Included in creditors)	-	-

51.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year audit fee	3 236 991	2 890 951
External Audit - Auditor-General	3 236 991	2 890 951
Amount paid - current year	(3 236 991)	(2 890 951)
Balance unpaid (Included in creditors)	-	-

51.3 VAT - [MFMA 125 (1)(c)]

Opening balance		
VAT inputs	566 998	817 565
VAT outputs	3 641 122	4 019 403
Paid	(2 787 722)	(3 090 498)
Received	339 235	-
Closing balance	(1 122 910)	(1 179 472)
	636 722	566 998

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

51.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year payroll deductions	3 274 274	2 580 366
Amount paid - current year	(3 274 274)	(2 580 366)
Balance unpaid (Included in creditors)	-	-

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
51.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 041 721	1 862 239
Amount paid - current year	(2 041 721)	(1 862 239)
Balance unpaid (Included in creditors)	-	-

51.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

No Councillors had arrear accounts outstanding for more than 90 days during the year.

51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b) and exclude VAT

	Type of Deviation			
	Amount	Single Supplier	Impossible	Emergency
For the Year	-	-	-	-
	-	-	125 164	80 171
	-	-	125 164	80 171

51.8 Service in State

The following supplier(s) indicated that a family member is in service of the state as required by section 45 of the Supply Chain Management Regulations.

Company name	Related person	Company Capacity	Capacity at State / Municipality	Relationship	State department	Payments
Jan Nel Elektries	Jan Nel	Owner	Teacher	Spouse	WCED	1 628 639
JCQ	Jeffrey Jantjes	Owner	Technical opt	Spouse	Prince Albert Municipality	192 797

	2018	2017
	R	R
51.9 Material losses		
Electricity distribution losses		
Units purchased (Kwh)	10 455 403	10 544 411
Units lost during distribution (Kwh)	1 400 340	1 533 655
Percentage lost during distribution	13.39%	14.54%
Distribution loss (Rand Value)	1 292 563	1 384 602
Water distribution losses		
Kilo litres purified	547 010	607 253
Kilo litres lost during distribution	91 832	92 035
Percentage lost during distribution	16.75%	15.16%
Distribution loss (Rand Value)	368 359	291 110

Normal pipe bursts and field leakages are responsible for water losses.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

52

FINANCIAL RISK MANAGEMENT

2018
R

2017
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:

1% (2017: 1%) Increase in interest rates
1% (2017: 1%) Decrease in interest rates

2018
R

2017
R

253 451
(253 451)

281 206
(281 206)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Exchange Receivables

Electricity	12.76%	928 227	14.64%	598 106
Water	40.88%	2 951 231	40.49%	1 648 830
Refuse	18.61%	1 350 610	16.86%	888 664
Sewerage	22.35%	1 622 344	21.12%	859 774
Other	5.62%	408 156	6.89%	280 636
	100.00%	7 258 568	100.00%	4 071 810

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 7 and note 8 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different categories of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
Government	0.38%	27 927	0.00%	-
Industrial	1.48%	106 169	2.17%	88 445
Residential	0.00%	-	0.00%	-
Indigents	82.96%	6 021 790	90.70%	3 693 059
Indigents	15.18%	1 102 682	7.13%	290 306
	100.00%	7 258 568	100.00%	4 071 810

Ageing of amounts past due but not impaired are as follow:

2018

1 month past due
2+ months past due

**Exchange
Receivables** **Non-exchange
Receivables**

644 667	37 322
6 886 639	1 110 592
7 531 306	1 147 913

2017

1 month past due
2+ months past due

591 165	39 241
3 817 327	887 588
4 408 492	926 807

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are Individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	9 005 081	5 853 708
Receivables from non-exchange transactions	28 288 798	22 208 701
Cash and Cash Equivalents	25 411 041	27 408 889
	62 704 920	55 471 067

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	67 771	4 825	-	-
Capital repayments	61 155	4 760	-	-
Interest	6 616	75	-	-
Trade and Other Payables	2 954 015			
Unspent conditional government grants and receipts	2 318 472			
Cash and Cash Equivalents	25 414 091			
	30 754 350	4 825	-	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2017				
Long-term Liabilities	87 512	72 598	-	-
Capital repayments	69 296	65 905	-	-
Interest	18 216	6 691	-	-
Trade and Other Payables	8 027 880			
Unspent conditional government grants and receipts	1 782 160			
Cash and Cash Equivalents	27 411 509			
	37 309 041	72 598	-	-

53

FINANCIAL INSTRUMENTS

In accordance with GRAP104.46 the financial liabilities and assets of the municipality are classified as follows:

53.1 Financial Assets

Classification

Receivables from Exchange Transactions

Electricity	Financial Instruments at amortised cost	1 684 095	1 407 899
Water	Financial Instruments at amortised cost	3 237 523	1 908 018
Property Rentals	Financial Instruments at amortised cost	326 798	189 544
Waste Management	Financial Instruments at amortised cost	1 461 542	776 074
Waste Water Management	Financial Instruments at amortised cost	1 707 289	916 165
Other Arrears	Financial Instruments at amortised cost	118 897	104 173

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	336 491	1 184 833
Call Deposits	Financial Instruments at amortised cost	25 074 550	26 223 827
Total Financial Assets		34 004 919	32 780 556
SUMMARY OF FINANCIAL ASSETS			
Financial Instruments at amortised cost:			
Receivables from Exchange Transactions	Electricity	1 684 095	1 407 898
Receivables from Exchange Transactions	Water	3 237 523	1 908 018
Receivables from Exchange Transactions	Property Rentals	328 798	189 544
Receivables from Exchange Transactions	Waste Management	1 461 542	776 074
Receivables from Exchange Transactions	Waste Water Management	1 707 289	916 165
Receivables from Exchange Transactions	Other Arrears	118 887	104 173
Cash and Cash Equivalents	Bank Balances	336 491	1 184 833
Cash and Cash Equivalents	Call Deposits	25 074 550	26 223 827
		34 004 919	32 780 556
Financial Instruments at fair value:			
Total Financial Assets		34 004 919	32 780 556
53.2 Financial Liabilities	Classification		
Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	65 905	135 201
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	2 520 543	4 077 352
Retentions	Financial Instruments at amortised cost	-	588 144
Other Payables	Financial Instruments at amortised cost	22 268	15 892
Debtors with credit balances	Financial Instruments at amortised cost	411 203	481 811
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	-	(847 182)
		3 019 919	4 451 018
SUMMARY OF FINANCIAL LIABILITIES			
Financial Instruments at amortised cost:			
Long-term Liabilities	Capitalised Lease Liability	65 905	135 201
Trade and Other Payables	Trade Payables	2 520 543	4 077 352
Trade and Other Payables	Accrued Interest	-	588 144
Trade and Other Payables	Other Payables	22 268	15 892
Trade and Other Payables	Debtors with credit balances	411 203	481 811
Cash and Cash Equivalents	Bank Overdraft	-	(847 182)
		3 019 919	4 451 018

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
54	STATUTORY RECEIVABLES		
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	Taxes		
	VAT Receivable	636 722	566 998
	Receivables from Non-Exchange Transactions	27 436 732	21 719 135
	Rates	1 141 867	882 039
	Fines	26 294 865	20 827 096
	Total Statutory Receivables (before provision)	28 073 454	22 286 133
	Less: Provision for Debt Impairment	-	-
	Total Statutory Receivables (after provision)	28 073 454	22 286 133
55	IN-KIND DONATIONS AND ASSISTANCE		
	As per GRAP 23 par 99-107 the following transactions are regarded as service in kind:		
	Johan Pieterse - MISA (Municipal Infrastructure Support Agency) advisor	1 083 206	1 018 051
	The auditor General - Audit fees over and above 1% contributed by National Treasury	2 327 305	2 049 690
	Moore Stephens in SLA with Central Karoo District Municipality	175 000	-
	Total In-kind Donations and Assistance	3 585 511	3 067 740
56	CONTINGENT LIABILITY		
	The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
	Overflow of a transfer station at Prince Albert Road lead to the deaths of a farmer's wild oxyses.	99 000	-
		99 000	-
57	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure excluding VAT:		
	Approved and contracted for:	5 276 151	2 396 256
	Total commitments consist out of the following:		
	New Link Road & Associated Stormwater	3 438 142	2 396 256
	Raw water storage in Prince Albert	1 838 008	-
	Drought relief from Provincial Treasury	5 276 151	2 396 256
	This expenditure will be financed from:		
	Government Grants	5 276 151	2 396 256
		5 276 151	2 396 256

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Outstanding balances on municipal accounts

G. Lottering	Mayor
S. Botes	Speaker
L. Jaquet	Deputy Mayor
M.D. Jaffra	Councillor
S. Pledt	Councillor
E. Maane	Councillor
R. Steyn	Councillor
N.S. Abrahams	Ex - Deputy Mayor
I.J. Windvogel	Ex - Councillor

1 503

1 503

H.F.W. Mettler
J.D. Neethling
A. Vorster

Please note not all related parties have municipal accounts

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

No loans were granted to councillors or senior management employees.

The compensation of key management personnel is set out in note 31 to the Annual Financial Statements.

2018	2017
------	------

The following purchases were made during the year where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity	Relationship		
Prince Alert advice centre	G Lottering	Mayor	Director	1 700	-
				1 700	-

Management is of the opinion that will municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

	2018	2017
--	------	------

The current ratio for the comparative years are:

It is evident that the current financial year increased its ratio compared to the previous year.

4.41 2.71

APPENDIX A
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Balance at 30 June 2017	Received during the period	Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equipment
LEASE LIABILITY					
Minolta Bizhub C284E	36 253	-	(26 630)	9 623	9 623
Minolta B287	36 283	-	(15 630)	20 652	20 652
Minolta B554E	62 665	-	(27 036)	35 629	35 629
Total Lease Liabilities	135 201	-	(69 296)	65 905	65 905
TOTAL EXTERNAL LOANS	135 201	-	(69 296)	65 905	65 905

APPENDIX E
PRINCE ALBERT LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2017	Correction of Error	Restated Balance 30 June 2017	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during this year Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
National Government Grants										
Equitable Share	-	-	-	17 652 000	-	(17 652 000)	-	-	-	-
Finance Management Grant	-	-	-	1 700 000	-	(1 700 000)	-	-	-	-
Municipal Infrastructure Grant	731 469	-	731 469	7 609 000	(731 469)	(380 450)	(7 228 550)	-	-	-
Integrated National Electrification Grant	-	-	-	1 000 000	-	-	(2 895 217)	(1 895 217)	-	(1 895 217)
EPWP	-	-	-	1 000 000	-	(1 000 000)	-	-	-	-
Total National Government Grants	731 469	-	731 469	28 961 000	(731 469)	(20 732 450)	(10 123 767)	(1 895 217)	-	(1 895 217)
Provincial Government Grants										
Library	-	-	-	1 505 000	-	(1 505 000)	-	-	-	-
Drought Relief	370 690	-	370 690	-	(370 690)	-	-	59 974	59 974	-
Additional Drought relief for Boreholes	500 000	-	500 000	-	-	-	(440 026)	51 474	51 474	-
Internship recruitment	60 000	-	60 000	-	-	-	-	-	-	-
CDW	-	-	-	74 000	-	(8 526)	-	-	-	-
Financial Capacity - AFS	-	-	-	500 000	-	(74 000)	-	83 503	83 503	-
Financial Capacity - AFS software	-	-	-	200 000	-	(416 497)	-	-	-	-
Financial Capacity - Internal Audit	-	-	-	200 000	-	(200 000)	-	-	-	-
Financial Capacity - MSCOA	-	-	-	330 000	-	(330 000)	-	-	-	-
Financial Capacity - SDBIP	-	-	-	200 000	-	(154 487)	-	45 513	45 513	-
Capacity Building	-	120 000	120 000	240 000	-	(120 000)	-	240 000	240 000	-
Additional WC Drought relief for Boreholes	-	-	-	2 000 000	-	-	(161 992)	1 838 008	1 838 008	-
Total Provincial Government Grants	930 690	120 000	1 050 690	5 249 000	(370 690)	(3 008 510)	(602 018)	2 318 472	2 318 472	-
District Municipality										
Central Karoo District Municipality	-	-	-	125 000	-	(125 000)	-	-	-	-
Total District Municipality Grants	-	-	-	125 000	-	(125 000)	-	-	-	-
Other Grant Providers										
Allocations in kind - NT contribution on audit fees	-	-	-	2 327 305	-	(2 327 305)	-	-	-	-
Allocations in kind - Central Karoo District Municipality - Training	-	-	-	175 000	-	(175 000)	-	-	-	-
Allocations in kind - MISA - Engineering services	-	-	-	1 083 206	-	(1 083 206)	-	-	-	-
SETA	-	-	-	24 907	-	(24 907)	-	-	-	-
Total Other Grant Providers	-	-	-	3 610 418	-	(3 610 418)	-	-	-	-
Total Grants	1 662 159	120 000	1 782 159	37 945 418	(1 102 169)	(27 476 378)	(10 725 786)	423 266	2 318 472	(1 895 217)

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

APPENDIX C(1) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2017/18						2016/17	
	Original Budget	Budget Adjustments (L/o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Revenue - Standard								
<i>Governance and administration</i>	25 483	19 444	44 927	45 438	509	101.1%	178.3%	36 126
Executive and council	7 291	(3 111)	4 180	17 682	13 502	423.0%	242.5%	3 727
Finance and administration	18 192	21 251	39 443	27 450	(11 994)	69.6%	150.9%	31 219
Corporate services	-	1 304	1 304	304	(999)	23.4%	#DIV/0!	1 181
<i>Community and public safety</i>	14 129	(6 774)	7 355	8 670	1 315	117.9%	61.4%	14 897
Community and social services	1 922	870	2 792	1 808	(983)	64.8%	94.1%	2 154
Sport and recreation	-	321	321	41	(281)	12.7%	#DIV/0!	283
Public safety	1 468	2 774	4 242	6 821	2 579	160.8%	464.6%	12 460
Housing	10 739	(10 739)	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	7 334	(4 496)	2 838	1 187	(1 651)	41.8%	16.2%	3 001
Planning and development	571	(171)	400	-	(400)	-	-	300
Road transport	6 762	(4 324)	2 438	1 187	(1 251)	48.7%	17.6%	2 701
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	21 707	2 397	24 104	21 180	(2 924)	87.9%	97.6%	28 192
Electricity	13 565	(639)	12 926	13 441	515	104.0%	99.1%	15 976
Water	3 826	749	4 575	3 319	(1 256)	72.5%	86.7%	5 048
Waste water management	2 637	1 357	3 994	2 906	(1 088)	72.8%	110.2%	4 474
Waste management	1 479	1 130	2 609	1 515	(1 094)	58.1%	102.4%	2 693
Other	200	(200)	-	-	-	-	-	-
Total Revenue - Standard	68 632	10 572	79 204	76 473	(2 731)	96.5%	111.4%	82 216

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2017/18						2016/17	
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	7	8	12
Expenditure - Standard								
<i>Governance and administration</i>								
Executive and council	24 569	11 931	38 500	26 912	(9 588)	73.7%	109.5%	21 905
Finance and administration	6 952	259	7 210	6 928	(282)	96.1%	99.7%	5 488
Corporate services	17 618	6 779	24 397	15 454	(8 943)	63.3%	87.7%	12 316
<i>Community and public safety</i>								
Community and public safety	14 847	4 893	4 893	4 530	(363)	92.6%	#DIV/0!	4 101
Community and social services	1 911	(5 456)	9 391	11 554	2 143	122.8%	77.7%	15 277
Sport and recreation	728	1 579	3 490	2 955	(536)	84.7%	154.6%	2 723
Public safety	1 469	166	895	698	(197)	78.0%	95.8%	465
Housing	10 739	3 537	5 006	7 881	2 875	157.4%	536.5%	12 089
Health	-	(10 739)	-	-	-	-	-	-
<i>Economic and environmental services</i>								
Planning and development	9 562	(4 598)	4 976	6 821	1 845	137.1%	71.3%	5 311
Road transport	571	(179)	393	344	(49)	87.5%	60.1%	118
Environmental protection	8 991	(4 407)	4 583	6 477	1 894	141.3%	72.0%	5 194
<i>Trading services</i>								
Electricity	19 374	920	20 294	22 138	1 844	109.1%	114.3%	21 127
Water	10 080	1 292	11 382	11 417	36	100.3%	113.2%	10 775
Waste water management	4 007	(12)	3 995	3 337	(657)	83.5%	83.3%	2 971
Waste management	3 259	(155)	3 104	2 401	(704)	77.3%	73.7%	2 238
Other	1 818	(5)	1 813	4 983	3 170	274.8%	274.1%	5 143
	200	(200)	-	-	-	-	-	-
Total Expenditure - Standard	68 352	2 809	71 161	67 405	(3 756)	94.7%	98.6%	63 621
Surplus/(Deficit) for the year	300	7 763	8 062	9 068	1 005	1.8%	12.8%	18 596

APPENDIX C(2) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Vote Description	2017/18							2016/17
	Original Budget	Budget Adjustments (Lto. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Revenue by Vote								
Vote 1 - Executive and Council	7 291	(3 111)	4 180	17 682	13 502	423.0%	242.5%	3 727
Vote 2 - Director Finance	12 898	26 545	39 443	27 450	(11 994)	69.6%	212.8%	31 219
Vote 3 - Director Corporate	5 939	(4 235)	1 704	304	(1 399)	17.9%	5.1%	1 481
Vote 4 - Director Community	19 200	(11 846)	7 355	8 670	1 315	117.9%	45.2%	14 897
Vote 5 - Director Technical Services	23 324	3 218	26 542	22 367	(4 175)	84.3%	95.9%	30 893
Total Revenue by Vote	68 652	10 572	79 224	76 473	(2 751)	142.5%	120.3%	82 216
Expenditure by Vote to be appropriated								
Vote 1 - Executive and Council	6 952	258	7 210	6 928	(281)	96.1%	99.7%	5 488
Vote 2 - Director Finance	10 037	14 790	24 827	16 648	(8 179)	67.1%	165.9%	13 109
Vote 3 - Director Corporate	7 936	(2 650)	5 286	4 874	(412)	92.2%	61.4%	4 218
Vote 4 - Director Community	18 929	(9 537)	9 391	11 534	2 142	122.8%	60.9%	15 277
Vote 5 - Director Technical Services	24 499	(52)	24 447	27 421	2 974	112.2%	111.9%	25 528
Total Expenditure by Vote	68 352	2 809	71 161	67 405	(3 756)	0.0%	0.0%	63 621
Surplus/(Deficit) for the year	300	7 763	8 062	9 068	1 005	0.0%	0.0%	18 596

APPENDIX C(3) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
REVENUE AND EXPENDITURE

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restarted Audited Outcome
	1	2	3	4	6	7	8	12
Revenue By Source								
Property rates	3 060	-	3 060	3 166	106	103.5%	103.5%	2 873
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	13 565	(390)	13 185	13 441	256	101.9%	99.1%	13 268
Service charges - water revenue	3 826	(671)	3 155	3 319	164	105.2%	86.8%	3 628
Service charges - sanitation revenue	2 637	(43)	2 594	2 906	312	112.0%	110.2%	2 554
Service charges - refuse revenue	1 479	(46)	1 433	1 537	104	107.3%	103.9%	1 470
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	438	24	462	487	25	105.5%	111.2%	398
Interest earned - external investments	1 060	1 320	2 380	2 588	208	108.8%	244.2%	2 283
Interest earned - outstanding debtors	780	(250)	530	573	43	108.2%	73.5%	510
Dividends received	-	-	-	-	-	-	-	-
Fines	4 013	(300)	3 713	6 512	2 800	175.4%	162.3%	11 925
Licences and permits	180	28	208	262	54	125.9%	145.5%	263
Agency services	-	-	-	-	-	-	-	-
Transfers recognised - operational	36 050	(962)	35 088	23 896	(11 203)	68.1%	66.3%	23 427
Other revenue	1 565	3 613	5 178	959	(4 219)	18.5%	61.3%	4 879
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	68 652	2 343	70 995	59 646	(11 349)	0.0%	0.0%	67 479

Description	2017/18						2016/17	
	Original Budget	Budget Adjustments (Lt.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
Expenditure By Type								12
Employee related costs	18 610	(719)	17 891	20 338	2 447	113.7%	109.3%	15 573
Remuneration of councillors	2 915	-	2 915	2 928	13	100.5%	100.5%	2 627
Debt impairment	5 449	-	5 449	8 658	3 209	158.9%	158.9%	11 582
Depreciation & asset impairment	2 813	-	2 813	5 463	2 650	194.2%	194.2%	5 382
Finance charges	85	(30)	55	1 158	1 103	2105.6%	1362.5%	1 294
Bulk purchases	8 474	(574)	7 900	9 522	1 622	120.5%	112.4%	9 730
Other materials	2 034	(28)	2 006	1 178	(828)	58.7%	57.9%	1 038
Contracted services	18 258	(10 516)	7 743	7 150	(593)	92.3%	39.2%	7 608
Transfers and grants	-	-	-	380	380	#DIV/0!	#DIV/0!	115
Other expenditure	9 714	14 675	24 389	8 721	(15 668)	35.8%	89.8%	8 625
Loss on disposal of PPE	-	-	-	1 931	1 931	#DIV/0!	#DIV/0!	(0)
Total Expenditure	68 352	2 809	71 161	67 428	(3 733)	0.0%	0.0%	63 572
Surplus/(Deficit)								
Transfers recognised - capital	-	-	-	-	-	-	-	-
Contributions recognised - capital	-	8 228	8 228	10 726	2 497	130.3%	#DIV/0!	14 690
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions								
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation								
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality								
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	300	7 763	8 062	2 944	(5 119)	0.0%	0.0%	18 586

APPENDIX C(4) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Vote Description R thousand	2017/18						2016/17	
	Original Budget	Total Budget Adjustments (i.to. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Single-year expenditure								
Vote 1 - Executive and Council	300	735	1 035	86	(949)	8%	29%	-
Vote 2 - Director Finance	-	690	690	419	(270)	61%	#DIV/0!	691
Vote 3 - Director Corporate	-	-	-	27	27	#DIV/0!	#DIV/0!	-
Vote 4 - Director Community	492	138	630	148	(482)	23%	30%	1 209
Vote 5 - Director Technical Services	7 736	7 292	15 029	10 701	(4 327)	71%	138%	11 321
Capital single-year expenditure	8 529	8 855	17 383	11 381	(6 002)	0%	0%	13 221
Total Capital Expenditure - Vote	8 529	8 855	17 383	11 381	(6 002)	0%	0%	13 221

Vote Description	2017/18							2016/17	
	Original Budget	Total Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome	
R thousand	1	2	3	4	6	7	8	12	
Capital Expenditure - Standard									
<i>Governance and administration</i>									
Executive and council	300	1 270	1 570	1 140	(429)	73%	380%	1 280	
Finance and administration	300	735	1 035	693	(342)	67%	231%	-	
Corporate services	-	535	535	419	(115)	78%	#DIV/0!	1 280	
<i>Community and public safety</i>									
Community and social services	492	138	630	27	27	#DIV/0!	#DIV/0!	-	
Sport and recreation	-	-	-	148	(482)	23%	30%	2 621	
Public safety	492	138	630	88	88	#DIV/0!	#DIV/0!	1 209	
Housing	-	-	-	60	(570)	10%	12%	1 412	
Health	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>									
Planning and development	4 648	(1 252)	3 396	2 637	(759)	78%	57%	289	
Road transport	-	-	-	-	-	-	-	-	
Environmental protection	4 648	(1 252)	3 396	2 637	(759)	78%	57%	269	
<i>Trading services</i>									
Electricity	3 088	8 099	11 787	7 456	(4 331)	63%	241%	11 046	
Water	1 000	3 550	4 550	3 037	(1 513)	67%	304%	878	
Waste water management	1 500	4 994	6 494	403	(6 092)	6%	27%	2 841	
Waste management	-	-	-	3 496	3 496	#DIV/0!	#DIV/0!	7 328	
Other	588	-	588	520	(68)	88%	88%	-	
Total Capital Expenditure - Standard	8 528	8 855	17 383	11 381	(6 002)	0%	0%	13 937	
Funded by:									
National Government	8 228	-	8 228	8 228	-	100%	100%	8 643	
Provincial Government	-	2 000	2 000	2 000	-	100%	#DIV/0!	6 174	
District Municipality	-	-	-	-	-	-	-	-	
Other transfers and grants	-	-	-	-	-	-	-	-	
Transfers recognised - capital	8 228	2 000	10 228	10 228	-	100%	124%	14 816	
Public contributions & donations	-	-	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	-	-	
Internally generated funds	-	-	7 155	1 152	(6 002)	16%	#DIV/0!	(1 595)	
Total Capital Funding	8 228	2 000	17 383	11 381	(6 002)	0%	0%	13 221	

APPENDIX C(5) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
CASH FLOWS

Description	2017/18						2016/17	
	Original Budget	Budget Adjustments (\$ to \$20)	Fund adjustments Budget	Actual Outcomes	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcomes
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property taxes, penalties and collection charges	3 000	-	3 000	26 063	22 633	88.1%	\$0N/A(0)	18 112
Service charges	21 508	-	21 508	-	(20 369)	\$0N/A(0)	\$0N/A(0)	-
Other revenues	6 580	-	9 963	-	(9 963)	\$0N/A(0)	\$0N/A(0)	-
Government - operating	35 646	-	34 684	23 751	(10 943)	-46.1%	\$0N/A(0)	23 427
Government - capital	-	-	-	10 009	10 009	100.0%	\$0N/A(0)	14 660
Interest	1 940	-	2 910	3 162	262	8.0%	\$0N/A(0)	2 798
Dividends	-	-	-	-	-	-	-	-
Payments								
Supplies and employee	(65 617)	-	(68 482)	(53 209)	15 266	-30.7%	\$0N/A(0)	(41 280)
Finance charges	(85)	-	(65)	(1 165)	(1 105)	-95.3%	\$0N/A(0)	(1 284)
Transfers and Grants	(2 659)	-	-	(300)	(369)	100.0%	\$0N/A(0)	(115)
NET CASH FROM/USED IN OPERATING ACTIVITIES	300	-	2 448	8 478	8 922	8.9%	\$0N/A(0)	16 279
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of Fixed Assets	-	-	-	440	440	100.0%	\$0N/A(0)	-
Purchase of Intangible Assets	-	-	-	(21)	(21)	100.0%	\$0N/A(0)	(23)
Decreases (increases) other non-current receivables	-	-	-	-	-	-	-	-
Decreases (increases) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	-	-	-	(10 841)	(10 841)	100.0%	\$0N/A(0)	(16 773)
NET CASH FROM/USED IN INVESTING ACTIVITIES	-	-	-	(10 413)	(10 413)	100.0%	\$0N/A(0)	(16 795)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	(69)	(69)	100.0%	\$0N/A(0)	(70)
Borrowing long term financing	-	-	-	-	-	-	-	132
Increases (decreases) in consumer deposits	-	-	-	15	15	100.0%	\$0N/A(0)	18
Payments								
Repayment of borrowing	-	-	-	-	-	-	-	-
NET CASH FROM/USED IN FINANCING ACTIVITIES	-	-	-	(54)	(54)	100.0%	\$0N/A(0)	79
NET INCREASES (DECREASES) IN CASH HELD	300	-	2 448	(1 987)	(4 963)	-19.8%	\$0N/A(0)	963
Cash/bank equivalents at the year begin:	28 259	-	27 962	27 412	(546)	-	-	26 748
Cash/bank equivalents at the year end:	29 559	-	30 400	25 414	(4 965)	-	-	27 412

**APPENDIX D - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF SCM DEVIATIONS FOR THE YEAR ENDED 30 JUNE 2018**

SUPPLIER	GOODS / SERVICES	AMOUNT Exclusive of VAT	REASON
FILCO ENGINEERING SUPPLIES	It was impractical to obtain more than one quote seeing that it was a strip and quote.	2 426.00	Impractical
RADIO GAMKALAND	It was impractical to obtain more than one quote seeing that it was a strip and quote.	4 500.00	Impractical
SS SWEIS EN HERSTEL	It was impractical to obtain more than one quote seeing that it was a strip and quote.	2 287.66	Impractical
KIA GEORGE MULTIFRANCHISE	The vehicle was under a service plan at Kia.	5 431.43	Impractical
ADV S LOURENS	Mr. S Louwrens are used seeing that he was familiar with the disciplinary hearing of Mr. Meintjies.	29 820.00	Impractical
PAY DAY	It is the payroll service provider of the municipality.	16 118.00	Impractical
OUTTSHOORN FORD	The vehicle was under a service plan at Ford.	8 445.40	Impractical
JAN NEL ELEKTRIES	The only service provider that could have performed the work in due time.	15 542.50	Emergency
KONTREI ELECTRICAL CONSULTANTS	The only service provider that could have performed the work in due time.	44 628.70	Emergency
AUTO ELECTRO	It was impractical to obtain more than one quote seeing that it was a strip and quote.	2 500.00	Impractical
NATIONAL GARAGE	Only one of two service providers that sell prepaid electricity on behalf of the Municipality.	32 911.24	Impractical
AUTO TECH	It was impractical to obtain more than one quote seeing that it was a strip and quote.	12 264.28	Impractical
CAB HOLDINGS	In the process to appoint service provider, but had to print out the monthly billings.	4 594.61	Impractical
	Total	181 470	